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NEWS SUMMARY

GENERAL

'Iran backed' embassy attack

Iraqi Government said the three gunmen who stormed the British embassy in Baghdad hurling bombs and shooting at random were backed by the revolutionary regime in Iran.

Two terrorists and a chauffeur died in the attack. The third gunman was captured. None of the 20 embassy staff was hurt.

Staff believe the attack may be in retaliation for the bloody ending of the Iranian embassy siege in London. Back Page

S. Africa strikes

South African motor industry was halted by industrial action by black and coloured workers. In the Cape riots, the death toll reached 30 with 141 hurt. Back page; Editorial comment, Page 22; Dutch oil, Page 2

Nuclear fuel sale

Carter Administration told Congress it will go ahead with the sale of enriched uranium to India. Page 3

Cabinet row

Israeli Finance Minister Yigael Hurwitz withdrew a resignation threat amid Cabinet opposition to his defence spending cuts. Page 4

Thatcher burglar

Burglar jailed for life for murder was the man who raided Mrs. Thatcher's Chelsea home six years ago, it was revealed at the Old Bailey.

Border deadlock

Border conflict between French farmers and Spanish truck drivers over the transit of Spanish produce remained deadlocked. Page 2

Kissinger's fears

Former U.S. Secretary of State Henry Kissinger criticised the West's "indecisiveness" over the Soviet "global offensive." Page 6

Ship seized

Anti-whaling vessel Rainbow Warrior of the environmentalist group Greenpeace was seized by a Spanish frigate and taken into El Ferrol.

Rebel isle talks

Rebels on Espiritu Santo met New Hebrides Government representatives, but talks ended in stalemate. Page 4

Syrian killings

Newspaper editor was shot dead in Homs, central Syria. In Damascus a leading lawyer was killed.

Name change

British Airways shortened its name to British in a "bold new look" for the airline. Page 6

Loan saves jobs

About 200 redundant Scottish steelworkers could become sausage makers as a result of a £2m loan from the European Coal and Steel Community. Page 7

Post impressionist

Two Matisse paintings stolen early this year and worth about £25,000 were found in a London postbox.

Briefly . . .

England were 282-7 at the close of the first day of the second Test against West Indies.

Eight men died when a trawler exploded at Gdansk, Poland.

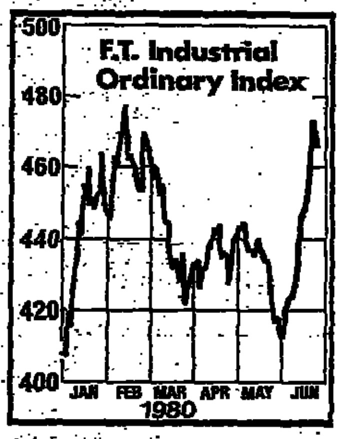
Olympic flame was lit at ancient Olympia.

BUSINESS

Equities off 7.7; gold mines dip

● GILTS drifted lower on lack of demand and profit-taking. Mediums and longs lost up to ¾ and shorts up to ¼ and more. The Government Securities index fell 0.44 to 69.95. Page 40

● EQUITIES also lacked support and the FT 30-share index fell 7.7 points to 465.4. The gold mines index fell 7.2 to 324.2. Page 40



● STERLING gained 25 points to $2.3355 and its trade-weighted index rose to 73.5 (73.4). DOLLAR was also slightly firmer, its index closing at 83.4 (83.3). Page 30

● Gold fell $4 an ounce in London to $600.50. Page 30

● WALL STREET was 4.35 down at 877.56 before the close. Page 34

● WESTERN NATIONS have failed to agree on a package to reschedule part of Turkey's official debt and are due to meet again next month, Turkish officials said in Paris.

● CBI has rejected wide-ranging import controls and protection of core industries, and urges a liberal trade policy. Back Page; details Page 6

● LONRHO, the international trading group with a 30 per cent stake in House of Fraser stores enterprise, has failed to increase Fraser's final dividend by 50 per cent. Back Page

● GOVERNMENT may decide soon whether foreign companies can compete with ICL in the bidding to supply the Inland Revenue with a £150m computer installation. Page 6

● BRITISH RAIL has gained union acceptance of a pay deal for 50,000 engineering and maintenance workers giving overall rises worth 20 per cent, backdated to May 4. Page 10

● BANK OF ENGLAND, facing a 30 per cent pay rise claim from its staff, says it is bound by the Government's 14 per cent cash-limit. Back Page

● ALFA ROMEO, the troubled Italian car group, plans an additional L300bn (£154m) investment in the next three years as part of a 10-year recovery programme. Page 29

● NEW PRESIDENT of the Society of Motor Manufacturers and Traders is Sir Bernard Scott, former chairman of Lucas Industries. Page 6

COMPANIES

● CONTINENTAL UNIROYAL, the West German tyre company, is buying out Michelin's controlling stake in Kleber-Colombes, the loss-making French tyre concern. Back Page

● RACAL ELECTRONICS, which recently acquired Decca, raised taxable profits by £2m to £63.62m for the year, on a turnover of £263.74m (£226.69m). Page 24 and Lex, Back Page

● S. AND W. BERISFORD—commodity trading, finance and insurance company—raised six-month trading profits by 36 per cent, but higher interest rates led to pre-tax earnings rising by only 4 per cent to £16.77m. Page 26

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES:			Treasury 13¼pc 1997	£97⅞	− ⅞
Amstrad	95	+ 8	Baker Perkins	77	− 4
ERF	72	+ 4	Braby Leslie	45	− 5
Glynwed	89	+ 4	Camrex	25½	− 4½
Hambros	468	+ 8	Downs Surgical	21	− 8
Holt Lloyd	234	+ 15	Grattan Warehouses	60	− 6
Johnson Matthey	322	+ 19	Hawker Siddeley	194	− 6
Kitchen (R. Taylor)	133	+ 8	Ladbroke	168	− 6
Mercury Secs.	196	+ 7	Land Securities	324	− 6
Northern Foods	150	+ 5	Mallinson-Denny	57½	− 11
Tilbury Contracting	190	+ 10	Meyer (M. L.)	94	− 6
Westland	98	+ 4	Midland Bank	370	− 10
Central Pacific Mins.	£31	+ 1½	Racal Elec.	259	− 6
Charter Cons.	198	+ 45	Tube Invs.	276	− 6
North West Mining	71	+ 5	Tunnel "B"	226	− 14
RTZ	408	+ 12	BP	364	− 8
Selection Trust	£10½	+ 3¼	Anglo Am. Gold	£34⅞	− 1⅞
Seltrust "A"	202	+ 28	East Driefontein	£10¼	− ½
Tanks Cons.	300	+ 12	Gold Fields S.A.	£29⅝	− 1¾
FALLS:			Rustenburg Plat.	198	− 9
Treasury 15pc 1985	£106⅜	− ⅜	Western Holdings	£26⅝	− 1

BP makes bid approach to Selection Trust

BY RAY DAFTER AND CHRISTINE MOIR

BRITISH PETROLEUM'S attempt to become a significant force in the mining industry might lead to a record City takeover. The group has made a bid approach for Selection Trust, a leading mining finance house, that might cost it considerably more than £300m.

Selection Trust's value in the market immediately rose 50 per cent to £315m, but analysts believe that BP will need to pay a significant premium to secure an agreed takeover.

The record price for a UK acquisition is £378m, paid by Grand Metropolitan for Watney Mann in 1972.

Morgan Grenfell, Selection Trust's advisers, said that BP had made the approach in the past few days and talks were authorised at the Selection Trust board meeting yesterday morning.

Selection Trust has key stakes in the Agnew Nickel mining project and the Teutonic Bore copper and zinc venture, both in Western Australia. In South Africa there is the Unisel gold mine; in Quebec the Selbaie copper, silver and zinc project; and in Nevada the Aligator Ridge gold mine.

The group also has a 7.5 per cent stake in Amax, the big U.S. mining undertaking. There has been speculation that Amax might be interested in Selection Trust, but Morgan Grenfell said: "Nothing yet has emerged from the woodwork."

BP has been wanting to increase its minerals interests as part of a resource-based diversification programme. Executives said Selection Trust appeared a logical acquisition. Officially, however, BP was making no statement while talks were in progress.

The discussions might take some time, as Selection Trust has indicated that it will take a fresh look at all its assets. In the last balance sheet, net tangible assets at December were stated at only £113m. But even at that stage its quoted and unlisted investments had a surplus valuation of a further £136.3m.

Selection Trust's largest single shareholder is Charter Consolidated, the South African-based mining finance house, with a 27.23 per cent holding. Charter's share price — it is quoted in London — rose 45p to 198p on the news.

Charter has four directors on the Selection Trust Board and they agreed with the decision to pursue discussions with BP. Selection Trust itself said that the BP approach "came completely out of the blue."

For its part, BP is anxious for the bid to be agreed. Its general policy is to avoid contested takeovers. BP, which is being advised by Lazard Brothers, saw its shares drop 8p to 364p in the market.

BP has made little secret of its wish to build up its minerals interests.

Sir David Steel, its chairman, said in his annual statement in March that although the company would develop oil and gas holdings wherever possible, it would put an increasing proportion of new investment, research and enterprise into other activities, "mainly connected with the production and use of energy and other natural resources."

The group has some minerals interests but it is much stronger in the coal-mining sector. As a result of an aggressive acquisi-

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Approval given for £1.1bn North Sea gas network

BY SUE CAMERON

THE GOVERNMENT has given the go-ahead for a £1.1bn North Sea gas-gathering network capable of landing about £1.5bn worth of gas a year.

The decision is based on the results of a feasibility study carried out by the British Gas Corporation and Mobil. The study calls for a 36 in diameter line linking the Statfjord field in the North, the Thelma field in the so-called T Block, and St. Fergus on the Scottish coast where the gas would be landed. A 22 in diameter southern leg line will link T Block and the Fulmar field in the South.

The network will be 490 miles long, and the Government is hoping that it will be completed by 1984 or 1985.

A pipeline company, in which British Gas is to have a 30 per cent stake, is to be set up to build and operate the line. Mr. David Howell, the Energy Secretary, has asked British Gas, Mobil and British Petroleum to form an organising committee to submit proposals on how the rest of the company should be structured and financed. The committee's chairman will be Sir Denis Rooke, chairman of British Gas.

Mr. Hamish Gray, Minister of State at the Energy Department said yesterday that he envisaged North Sea producers having a total stake of about 25 per cent in the company with perhaps 30 per cent being taken by financial institutions. The rest would go to other interested parties such as gas users and possibly the Norwegians.

The entire gas gathering project, including onshore processing facilities, is to be financed substantially from loans raised in the markets and without Government guarantee.

Gas collected by the line will be used in the British Gas transmission system while the natural gas liquids that are gathered will be used chiefly for the making of petrochemicals.

The feasibility study appears to favour the building of an ethylene plant at Nigg Bay in Cromarty, although other locations are considered for petrochemical manufacture.

Ray Dafter, Energy Editor writes: Total Oil Marine and Elf Aquitaine, two French groups, are to apply to the Government for permission to develop their Alwyn oil and gas field in the UK sector of the North Sea.

Total said drilling results appeared to confirm that oil and gas reserves were present in commercial quantities.

Watching the weather, Page 8
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EEC-Japan trade deficit rises

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

THE EEC's trade deficit with Japan rose by 49 per cent in dollar terms during the first five months of this year and could hit at least $9bn (£4bn) for the full year. In yen terms the deterioration in the trade balance appears to be more than 70 per cent.

These figures, which have emerged during the past few days, are causing increased concern among Community officials who have been working for some years to achieve a turnround in the Community's trade with Japan. What makes the situation appear even worse is that there seems to have been an actual decline in the volume of European exports to Japan—although the value of exports of course shows an increase.

Japan ran a $5bn surplus with the EEC in 1978, according to its own Customs Clearance figures (which count freight into the cost of imports) while, according to the EEC the gap was $6.4bn.

In 1979, Japanese figures show a stabilised deficit ($5.1bn) but EEC statistics show the gap growing further, to $6.9bn.

Whether or not the situation stabilised last year, the figures of both sides seem certain to indicate a sharp deterioration in 1980. Japan's Customs Clearance figures show the gap for the first five months was $2.9bn (EEC figures are not yet available). On an annual basis this should produce a deficit of about $7bn.

Japan's overall trade has been in deficit since the middle of last year and its current account deficit for fiscal 1980 (ending on March 31 1981) is almost certain to excede $13bn.

Some Japanese forecasters expect that the rate of growth of exports to the EEC (and the U.S.) will slow "spontaneously" later this year as the countries concerned express increasing apprehension about the trade imbalance. In the meantime, however, it would seem that some EEC countries are only just beginning to experience the full impact of recent exchange rate shifts on their trade with Japan.

The UK, which experienced a sharp rise in exports to Japan early in the year, found its exports falling by 30 per cent last month.

JAPAN—EEC TRADE BALANCES JANUARY—MAY 1980 $

	Total
UK	*—743.89m
France	—200.9m
West Germany	—1.043bn
EEC	—2.98bn

Based on Japanese Ministry of Finance Customs figures. Dollar values based on average Yen value in each month, calculated by the Ministry.
* Indicates deficit in trade with Japan.

Judgment may alter home loan process

By Raymond Hughes, Law Courts Correspondent

BANKS, building societies, local authorities and others who make loans on the security of people's homes will have to change their procedures as a result of a House of Lords decision yesterday.

Law Lords agreed that it was not enough for a mortgagee to take account only of the mortgagor's inteerst in the property.

The interests of anyone else occupying the property must be ascertained, or the mortgagee might find itself unable to gain possession if there were a default in the repayment of money loaned under the mortgage.

The Lords dismissed an appeal by Williams and Glyn's Bank against an Appeal Court ruling that it could not obtain possession of the houses of two businessmen to whom it had lent money.

In each case the mortgage had been by the husband, the legal owner, and the bank had not inquired whether the wives, each of whom had contributed towards the purchase of the house, claimed an interest in it.

The Law Lords ruled that the wives were persons "in actual occupation," under the terms of the Land Registration Act, 1925. That, with their financial stake, gave them an overriding interest defeating the bank's claim for possession.

Lord Scarman said that if the wives succeeded in their claim, the protection of the legally recognised beneficial interest that a married woman had in the matrimonial home would be strengthened. If they lost, that interest might be weakened, or even destroyed, by an unscrupulous husband.

Williams and Glyn's said later that the ruling would mean "longer forms" and lengthier and more costly inquiries into those who had an interest in a property.

The Building Societies Association said that it would consider the ruling carefully and decide how to advise its members.

Professor John Adams, a member of the Law Society's land law committee, welcomed the decision, but said that it increased the burden of inquiries to be made when money was lent on a house.

£ in New York

—	June 18	Previous
Spot	$2.3310-3325	$2.3345-3360
1 month	1.70-1.63 dis.	1.63-1.57 dis
3 months	4.44-4.36 dis.	4.13-4.07 dis
12 months	9.65-9.45 dis.	9.60-9.40 dis.

MONEY SUPPLY RISES 2.1%

Decision on lending rate still open

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A CUT in Minimum Lending Rate is still possible in the next two or three months despite a big jump in the money supply last month.

Bank of England figures published yesterday confirm that Sterling M3, the broadly defined money supply, rose 2.1 per cent in the month to mid-May following much smaller increases for the previous three months.

This took the annual rate of growth since the start of the current target period in February to 11.9 per cent, compared with an official range of 7 to 11 per cent.

These figures, in the absence of any change in MLR at yesterday's weekly announcement, were sufficient to puncture the recent buoyancy of the gilt-edged market.

Overseas demand was less apparent than in the last few days, and there was some profit-taking. Consequently, prices of long-dated stocks fell about £⅞, though they were firmer towards the close. This followed gains of over £3¼ earlier this week. The main interest today will be whether any new stocks are announced at 3.30 pm.

On first reading the figures appear to offer little comfort. Central Government borrowing has risen sharply, accounting for most of the £1.12bn domestic credit expansion, while there is no clear evidence of any significant change in the trend of bank lending to the private sector.

The Government does not, however, seem to be taking too gloomy a view, partly because there has always been an official reluctance to read too much into one month's figures. Whereas the small rise in the money supply earlier this year may have presented too favourable a picture, the large May increase may have been an overstatement.

The implication is that decisions on the timing of any cut in MLR are still being left open, probably at least until the mid-June figures are available next month.

There are still uncertainties about all the major influences on the money supply. For example, central Government borrowing may have been £1.46bn in May, and may have persisted at a high level in the month to mid-June, but it is still not clear whether this is an exceptional correction, follow-

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British Nuclear Fuels renews £100m order

BY DAVID FISHLOCK, SCIENCE EDITOR

BRITISH NUCLEAR Fuels has renewed a contract worth more than £100m to reprocess spent nuclear fuel for ENEL, the state-owned Italian electricity company.

The ten-year contract, signed by Mr. Con Allday, managing director of BNFL, is for reprocessing fuel from the Magnox nuclear station at Latina, and its transport to Windscale.

BNFL has reprocessed Latina's fuel for ten years as well as some fuel from other Italian nuclear plants.

The company has ordered a new custom-built vessel of 1,150 tonnes, costing £9m, from Swann Hunter Shipbuilders, to transport spent fuel from the Mediterranean.

It said yesterday that this vessel—scheduled for delivery next year—in addition to the converted freighter Bay Fisher, already in operation for this purpose, will be adequate to serve its European market for spent fuel.

European customers include Spanish and Swedish electricity companies.

In addition, the company is building a fleet of about six larger vessels, of 3,000 tonnes, for transporting spent fuel from Japan. The second of these is expected to enter service this autumn.

The British company operates its larger vessels through a subsidiary jointly owned with the Japanese nuclear industry, called Pacific Nuclear Transport Limited, of which it owns 62.5 per cent. This subsidiary expects to invest about £100m in vessels and containers for spent nuclear fuel during the 1980s.

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MORE THAN 1,500 LORRIES HALTED

Deadlock at border in Spanish produce war

BY ROBERT GRAHAM IN MADRID

THE CONFLICT between farmers in southern France and Spanish lorry drivers over the transit of Spanish produce remained deadlocked for the third day yesterday. At the principal entry point of La Junqerera, on the Spanish side of the Franco-Spanish Mediterranean frontier, there was only a trickle of tourist traffic. No commercial vehicles were able to pass the blockade by Spanish lorry drivers.

The blockage also continued on the French side of the frontier where French farmers also erected barricades on Tuesday.

Early yesterday morning, Spanish riot police forcibly moved vehicles in order to clear one lane of the main motorway. However, the drivers were reported in any angry mood after police had used rubber bullets to break up a demonstration the previous night, and no attempt was made to clear the road completely. A second main entry point was reported completely blocked.

Spanish Ministry of Transport officials said over 1,500 lorries carrying some 30,000 tonnes of goods were blocked on the Spanish side of the border. Much of this was fresh fruit and vegetables destined for France and other Community countries. In protest against the entry of this produce French farmers burned nine Spanish lorries on Monday. This incident which led to the present blockade.

Spanish drivers yesterday still insisted on full guarantees of protection from both governments before they would lift their blockade. French farmers on the other side of the border maintained their hard line insisting that they would block the entry of all such Spanish produce.

The Spanish Government is clearly reluctant to antagonise the drivers, especially since it believes the situation was provoked entirely by the French. Equally, the Paris Government, although it has given assurances that it will apply the law fully, and guarantee safe passage, is hesitant to intervene. A large contingent of riot police on the French side of the border has, according to the Spanish, made no serious attempt to reopen road traffic.

The Transport Ministry in Madrid said the Cabinet would decide today on measures to compensate for losses sustained by the drivers in the present situation. If the dispute continues, it threatens chaos to Spain's tourist traffic, as well as to the 500-odd lorries which pass through the frontier daily. This is the principal road entrance for tourists visiting Spain's Mediterranean holiday resorts.

Fruit blockade a taste of things to come

BY MARGARET VAN HATTEM IN BRUSSELS

THE VIOLENCE on the Franco-Spanish border may well be only a foretaste of worse to come, in what promises to be a problem area for the European Community once Spain joints it.

Coming only a few days after an unpleasant incident off the French coast, when Spanish gunboats protecting Spanish fishing vessels trained their guns on French patrol boats, it does not augur well for close co-operation between the two governments according to EEC officials here.

Underlying this week's violence is the deep-rooted fear among the fruit and vegetable growers of the Languedoc-Roussillon area of France that cheap Spanish produce will crowd them out of the lucrative West German and Benelux markets.

Since the main products crossing the border at the moment are apricots and cherries, of which France exports only limited quantities, the lorry-burning incident is seen as a French muscle-flexing in advance of the peach marketing season, which begins about a fortnight from now.

The French Government has already expressed its concern at the prospect of further trouble during the traditionally troublesome peach season. Last week it asked the Brussels Commission to restrict imports of Greek peaches by rigorous application of the system of minimum import prices.

As with so many of the Community's more explosive farm disputes, the economic interests at stake are minor in relation to the amount of heat generated. France produces only around 300,000 tonnes of peaches a year, compared with 1.1m tonnes in Italy. Spain exports around 60,000 tonnes to the Community, as does Greece.

But peaches, the only stone fruit to benefit from EEC price support, are an extremely difficult product to protect since the peach season lasts only two or three weeks, prices are highly volatile, and the fruit cannot be kept more than a few days.

The small-scale growers of Southern France are thus highly vulnerable, particularly this year when their own crop is reported to be only average, while the Greek and Spanish crops are reported to be well above average in terms of volume and quality.

But there is little the Commission can do to help. It has in past years bought up poorer quality fruit for processing into juice (the buying-in price is only 40 per cent of what the Commission considers to be the normal market price). It can also ask Greece and Spain, as it has done in the past, to export only their best quality fruit.

The Commission has only limited sympathy for French complaints that Greek and Spanish fruit and vegetables not only push French products out of the German market, but also divert Italian products onto the French market. And officials are frankly sceptical of current French reports of falling prices.

However, in the wider context of Greek and Spanish accession to the EEC—Greece joins next year, negotiations with Spain are still under way—they are anxious to avoid a "peach war" when so many other Mediterranean products such as wine, olive oil and citrus fruits are likely to cause even bigger headaches.

The general climate has not been improved by President Giscard d'Estaing's recent suggestion that Spanish accession should be delayed until the Community rationalises its financing system, which generated far more heat in the Spanish press than a similar suggestion by Chancellor Helmut Schmidt

For the Socialist and Communist-dominated French regions near the Spanish border are seen as a prime target of Government efforts to woo the farm vote—efforts which, it is feared, will persist long after next year's presidential election.

Portugal reassured on date of EEC entry

BY JOHN WYLES IN BRUSSELS

Sr. Sa Carneiro: on course for 1983

PORTUGAL APPEARS to have received an avalanche of assurances from EEC states that Portuguese membership of the Community in 1983 is still the target despite remarks by President Giscard d'Estaing of France. This was revealed here yesterday by Sr. Francisco Sa Carneiro, the Portuguese Prime Minister, after talks with the Commission and Mr. Roy Jenkins, its president.

Nevertheless, the Premier will undoubtedly seek further reassurances from the French President himself in talks with M. Giscard in Paris on July 1. Portugal and Spain, which is negotiating according to a similar schedule, have been seriously worried by a recent speech in which the French leader appeared to imply that the Community's internal problems might delay their joining.

Sr. Sa Carneiro said he did not believe that the structural reform of the EEC budget, which the Community will try to agree in the second half of next year, need impose any delay on Portugal's negotiations.

Formally launched in October 1978, these are now drawing to the end of their first phase, based on an overall view of all possible aspects of the country's membership, and identification of problem areas requiring specially negotiated transitional terms. The crucial second phase will begin in the autumn with the aim of completion well before the end of next year.

But the Prime Minister said that Portugal would be ready to reconsider its application if the EEC made any fundamental reforms which appeared to threaten his country's basic interests in EEC membership This was very unlikely, however, Sr. Sa Carneiro claimed, moreover, that there is no significance to the fact that the communique issued yesterday after his talks with Mr. Jenkins referred to the goal of Portuguese membership in 1983 rather than by January 1 of that year which is the publicly nominated target.

Way clear for MEPs to pass budget

By Giles Merritt in Strasbourg

EUROPEAN MPs yesterday cleared the way for a prompt settlement of the Budget row that has divided the European Parliament and EEC member governments since December and has threatened serious disruption of the Community's finances.

A compromise 1980 budget, which differs only marginally from the original £11.6bn package rejected by the Parliament six months ago, is now due to be passed after a single reading when the assembly reconvenes in Luxembourg at the end of next week.

The Parliament's budget committee at one point had been expected to insist on a procedure that would have meant two readings and the tabling of amendments which might have delayed settlement until the autumn. But the risk of grave confrontation with the EEC Council of Ministers, and the possibility that it might by-pass the Parliament by raising spending unilaterally from 1979 levels, helped quell any fresh revolt by the Parliament.

The Budget committee yesterday voted overwhelmingly for the new budget to be placed before the House. In addition to the conscessions it already contains—an extra £120m on development spending and various items that promise to curb farm spending a little—the MEPs have gained the right to propose "modest" changes over the next few days.

The committee, therefore, will be holding talks with the Council of Ministers in Brussels on June 23-24 to negotiate the final draft.

Whether or not this outcome represents an embarassing climb-down for the Parliament or a responsible settlement that underlines the year-old elected assembly's powers is now a question of heated discussion in Strasbourg.

It is being pointed out, however, that the MEPs stand against snowballing farm spending has already helped influence the climate of opinion in the EEC in favour of agricultural policy reform, while the row over the 1980 budget has prepared the ground for a tough line to be taken on next year's package.

Flight of capital reversed in West Germany

BY JONATHAN CARR IN BONN

WEST GERMANY has made good progress recently in financing its current account deficit through capital imports, but none whatever in reducing the deficit itself. In its latest report released today, the Bundesbank notes that the current account deficit in the first four months totalled DM 7.4bn (£1.8bn) compared with a surplus of DM 3.7bn (895m) in the same period last year.

Simultaneously, there was a net capital outflow of no less than DM 10bn over the January-April period, drawn in particular by high interest rates in the US.

As U.S. interest rates began to sink in April, capital exports from West Germany dwindled, the Deutsche Mark rate recovered, and in the course of May funds began to return. They were no doubt aptly encouraged by the Bundesbank's decision to raise discount rates to 7.5 per cent from May 2.

The Bundesbank comments that the immediate aim of financing the deficit via the market is being achieved, although it would be desirable if longer term capital were flowing in than is presently the case.

However, the current account deficit is continuing to grow at a pace which, if maintained for the whole year, would produce a shortfall for 1980 of DM 24bn (compared with a DM 9bn deficit last year).

The visible trade surplus in January - April totalled only DM 4bn compared with DM 11bn in the same period of last year, a fall caused not least by the sharp increase in import prices. Further, the deficit on invisibles—services and transfers primarily—totalled DM 12.7bn in the first four months. This is an increase of more than DM 4bn on the figure a year earlier.

A key reason for the increased deficit on services was that, despite rising domestic inflation, West Germans spent 24 per cent more than in the first four months of 1979 on foreign holidays. The deficit on transfer payments was up not least because of bigger sums being paid to the European Community. The Bundesbank stresses that these payments will increase still further because of the recent EEC budget compromise with Britain.

Threat to coalition in Dutch oil vote

BY CHARLES BATCHELOR IN AMSTERDAM

Mr. van Agt: confidence motion possible

THE DUTCH Cabinet will discuss today the political crisis which has arisen over Parliament's call for an embargo on oil deliveries to South Africa. Dutch MPs voted by a large majority on Wednesday to impose an oil boycott in the face of Government opposition. Unless a compromise can be found the Centre-Right coalition Government, led by Mr. Dries van Agt, may face a vote of no confidence in the Lower House next week.

Mr. Chris van der Klaauw, the Foreign Minister, argued against a boycott on the grounds that isolated action by the Dutch would not prevent oil reaching South Africa but would damage the economies of neighbouring black states, particularly Zimbabwe.

He has spent the past six months trying unsuccessfully to win support for the boycott from other EEC members. When Parliament first debated the issue last November, he was given until this month to sound out their views.

The Minister argued that the black states in southern Africa were now less keen to impose economic sanctions against South Africa, and had taken no steps to push for a United Nations conference on sanctions. The Netherlands had always been among the countries opposed to apartheid, and the South African Government was already well aware of its views, he said.

At a recent conference organised by anti-apartheid organisations in Amsterdam, Mr. Joop den Uyl, whose Labour Party is the largest opposition group, said sanctions could include action against organisations buying oil for South Africa on the Rotterdam oil market and legal moves against the Anglo-Dutch oil group, Royal Dutch Shell.

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Sweden tightens credit

By William Dullforce in Stockholm

SWEDEN'S central bank, the Riksbank, decided yesterday to raise by 2 per cent from July 1 the liquidity requirements imposed on the commercial, savings and co-operative banks. The move is intended to dampen inflation and to curb the banks lending to private consumers.

The liquidity ratio for the three biggest commercial banks will now be 40 per cent. The Riksbank calculates that this monetary tightening will limit the growth in bank lending to an annual rate of 6 per cent compared with the 9 per cent it had previously indicated as acceptable.

Borrowing by industry and building companies should not be affected by the new restriction, according to the Riksbank, which urged the banks to meet the credit requirements of these sectors as far as possible.

The background to the latest twist of the Swedish monetary screw is the state budget deficit which is expected to reach close to SKr 55bn (£5.7bn) this year and a 1980 foreign payments deficit which is expected to total about SKr 18bn.

The Riksbank's decision came the day after the State and Cartel Board had accepted a retail traders' claim to increases which will add some 1.4 per cent to food prices over the rest of the year. The government also indicated yesterday that part of the SKr 1.17bn increase in farm products prices, effective from July 1, will be passed on to consumers.

During pay negotiations which led to the Swedish strikes and lock-outs last month the Government undertook to pay for the farm price increases out of tax income in return for a moderate pay settlement. Most economists calculate that the final pay agreement, which the employers accepted only under pressure from the Cabinet, will overstimulate private consumption.

Recent forecasts of the rise in consumer prices this year have varied between 10 and 12 per cent

Polish trawler deaths

Eight men died and 19 were injured in an explosion on a trawler in a shipyard in Gdansk on Poland's Baltic coast, writes Christopher Bobinski in Warsaw. The accident underlines the need to improve safety conditions throughout Polish industry.

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Recovery forecast in W. German coal output

BY KEVIN DONNE IN ESSEN

COAL PRODUCTION in West Germany will climb back to about 100m tonnes a year by the end of the century, Dr. Karlheinz Bund, chairman of Ruhrkohle, the country's main coal producer said yesterday.

Production of hard coal from West German pits increased last year by 2.7 per cent to 87.2m tonnes. This is well below the levels of around 150m tonnes a year achieved in the 1950s, but the coal industry now appears to be firmly on the road to recovery after the bitter experiences of the 1960s and early 1970s.

Dr. Bund said an invesment of about DM 8bn (£2bn) would be necessary to develop the extra production capacity needed for an annual output of 100m tonnes. An extra DM 3bn a year would be necessary to maintain existing mines.

The industry's investment and production programme is supported by an array of subsidies from both the federal and provincial governments and Dr. Bund issued a strong warning against reducing this aid.

There are fears that the Federal Government may be tempted to make a temporary cut in its support in order to reduce pressure on the budget. Bonn is already in dispute with the provincial governments over its proposals for financing the extra West German contributions to the EEC budget.

According to Dr. Bund, West German coal production will expand to some 90m tonnes in 1985 and 95m tonnes by 1990. Coal reserves are estimated at some 24bn tonnes, which could give production a life of around 270 years at present output levels.

He dismissed fears that coal stocks had fallen to dangerously low levels, following large withdrawals to meet demand last year. Stocks at the pits and at customers' yards still totalled some 17m tonnes, and there were national reserves of 10m

Political asylum laws to be strengthened

BY OUR BONN CORRESPONDENT

THE WEST GERMAN Government has moved to try to stem growing misuse of the country's liberal political asylum laws—a highly sensitive topic particularly in a general election year.

In one move, the Cabinet decided that foreigners seeking asylum in West Germany would receive no work permit for the first year of their stay. This is a measure which can be introduced without a new law.

In another step, the parliamentary groups of the ruling Social Democrat (SPD) and Free Democrat (FDP) coalition partners have drawn up a Bill intended to speed up asylum procedures.

Among other things, a single official—rather than a committee of three as hitherto—will be able to decide whether an asylum application is valid. Rules governing the production of evidence supporting the application are also to be tightened.

The SPD-FDP Bill, which has clearly been elaborated after much heart-searching, is intended to go through Parliament this year. Initially, it has a time limit to the end of 1983. The Opposition has promptly accused the Government of simply playing for time on an issue of great urgency.

The essence of the problem is that many of those who claim to be requesting asylum on political grounds, are in fact doing so on economic ones.

Current procedures are such that it may be six or seven years before an application is decided on, or before appeals against rejection are considered. In the meantime, the applicant may be receiving welfare or working.

All parties agreed that if the victims of political persecution are to be helped, then steps must be taken to close the door to false applicants. The Opposition, however, wants much more far-reaching measures than those the Government has agreed so far.

Elf awarded Biscay oil search rights

By Terry Dodsworth in Paris

ELF AQUITAINE, the nationalised French oil company, has been awarded substantial offshore prospecting rights in a long sweep of the Bay of Biscay, stretching from the western approaches of the Brittany peninsula to the coast off Bordeaux.

The licences, awarded in two separate blocks, last for two years. They come only a little after similarly wide-ranging rights were granted to Elf and Total, the other large French oil company, for prospecting in deep waters of the French-controlled Mediterranean.

Elf would give no indication yesterday of its hopes for the region, which is marked by relatively difficult operating conditions. The company has carried out a thorough drilling programme in the south-eastern corner of the Bay of Biscay without striking oil or gas.

Apart from its Mediterranean prospecting programme, Elf is engaged in a big drilling effort in the South of France. Some FFr 1.3bn (£135m) will be spent on 45 wells there during the next five years.

Moscow denounces strike reports as 'slander'

BY DAVID SATTER IN MOSCOW

A DENIAL that there have been strikes at the big vehicle factories in Togliatti and Gorky, was issued by the Soviet news agency, Tass, yesterday. The agency said recent reports of strikes were invented on the prompting of "Washington's propaganda and subversive services."

Tass said it had been in touch with the local authorities in Togliatti and Gorky and learned that the labour collectives in both plants were working normally and regarded the "inventions of the slanderers" as "nauseating."

The Financial Times and other western newspapers, quoting reliable informaots, reporied last week that workers at Togliatti and Gorky had walked off the job in protests connected with inadequate supplies of meat and milk products. The protests were believed to have been the largest labour walk-outs in Soviet history and were reported to have taken place in Togliatti on May 6 and in Gorky on May 7 and 8.

Norway landing for Statfjord gas 'more attractive'

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE IDEA of landing in Norway natural gas from the North Sea's large Statfjord field has become more attractive to the Oslos Government, Mr Harald Norvik, Deputy Energy Minister, said yesterday.

He told a Financial Times conference at Grosvenor House that there were two main reasons for this. One was the rise in gas prices, the other Norwegian industry's increasing interest in the gas.

OPEC a force for stability

But Mr Norvik stressed that his Government had not yet made a decision on the three possible landing points for Statfjord gas—Norway, the UK, or Continental Europe.

He said he agreed with Mr David Howell, UK Energy Secretary, who told the conference on Wednesday that the world should regard the Organisation of Petroleum Exporting Countries as a force for stability.

Mr J. G. Cluff, Cluff Oil chairman, said the forthcoming seventh round of UK offshore licence allocations should "catapult British companies into the prominent position many of them deserve." He recommended the Energy Department to reserve exclusively for British independent operating companies all the blocks on offer in the inner Moray Firth, the central North Sea and the Channel.

He suggested establishing a consortium of state and quasi-state European oil companies—AGIP, Deminex, Elf and the British National Oil Corporation—with a brief to "find oil for Europe" in the North Sea and internationally. Such a consortium would possess "almost unparallelled political and financial muscle."

Mr Robert Norbury, a partner in stockbrokers Wood, Mackenzie, estimated that by 1985 British Government tax revenues from the North Sea could total £15bn. Government estimates of oil revenues of £4.75bn (in 1978-79 prices) for 1983-84 appeared "amazingly low."

He expected the Government to achieve its objectives of cutting taxes and the national insurance surcharge for business, while reducing the public sector borrowing requirement in real terms to a quarter its current level.

The inflationary impact of continually increasing energy prices would gradually dampen inflation by increasing Government revenue. This in turn should lead to lower interest rates. Institutional cash-flow, freed from funding the PSBR, would be diverted to funding British industry's regeneration either in equity or by resurrecting an industrial debenture market.

Careful choice of customers

Mr. John Hervey-Bathurst, director of Lazard Brothers, predicted that money managers providing North Sea finance would become more discriminating in their choice of customers, who would be required to make a better presentation of their projects. If several North Sea projects went sour, money managers attitudes would change.

Dr. Burckhard Bergmann, vice-member of Ruhrgas executive board, criticised the idea of "crude oil parity" put forward by various producers for their natural gas sales.

This would mean the price of gas became so high it would be competitive only in part of its current market. Moreover, the price would be pegged to that of crude, an energy raw material not directly competitive with gas.

Crude oil parity would "result in a shrinkage of the market accessible to natural gas and raise serious doubts about the justification of new natural gas imports." It would produce a basic change in the heat energy market's structure.

Professor Ian Fells, of the University of Newcastle-upon-Tyne, said movement towards a more efficient use of British oil and gas was already noticeable. "The most important initiative for the UK is to restructure the pricing and depletion policies for North Sea oil and gas in such a way as to strengthen our industrial base. This is urgent and manifestly not happening at the moment."

Mr. Odd Vattekar, Conservative spokesman on oil and energy in Norway, commented on the development of oil in the country's northern waters. Industrial impact of some magnitude would occur if petroleum resources were landed in the north by pipeline.

Professor John Brown, of the petroleum engineering department at Heriot-Watt University, said a major technological development in the 1970s was the application of subsea wells to developing and producing offshore fields. Many companies had installed or were planning to instal subsea wells in the North Sea and the 1980s would see many advances.

Displacing oil with gas

Mr. Frederick Gorbet, director of the office of long-term co-operation and policy analysis at the International Energy Agency, said it was important that decisions to move ahead on gas-gathering systems in both British and Norwegian waters be taken as quickly as possible, to increase the potential to displace oil in European markets with gas.

North Sea gas prices should not be so low that further exploration was discouraged, nor so high that they constrained the potential of natural gas to ease the difficult oil situation.

Professor Edith Penrose, from the European Business Institute (INSEAD), said British policy towards North Sea oil had important implications for the world oil industry. First, present policies helped support the existing institutional structure through which oil supplies reached international markets. Second, their policies could encourage or discourage the emergence of a general approach for world energy policy.

Italy plans boost for industry

By Paul Betts in Rome

THE ITALIAN Government has committed itself to draw up a medium-term economic recovery programme by the end of this month. It is expected to include a series of measures to boost industry's competitiveness at a time of a sharp deterioration in the country's terms of trade and overall balance of payments position.

At the same time, the Italian currency is reported to have been under pressure in recent weeks, forcing the monetary authorities to intervene.

In the first four months of the year, the overall payments deficit totalled L2,749bn (£1.4bn) compared to a surplus of L1,200bn (£615m) during the similar period last year. The trade balance over the first four months was L5,288bn (£2.7bn) in deficit against L4,725bn (£2.4bn) for the whole of 1979.

To reduce labour costs, the Government intends to shoulder a greater portion of the burden of workers' social benefits which are currently paid by employers.

Carter approves uranium fuel sale to India

BY DAVID BUCHAN IN WASHINGTON

PRESIDENT JIMMY CARTER yesterday approved the sale of 38 tons of uranium fuel to the Tarapur nuclear reactor in India. His controversial move overturns a unanimous recommendation by the Nuclear Regulatory Commission last month against the fuel export—but it may yet be blocked by Congress.

Congress now has 60 days to stop the export by a simple majority of both Houses. Opposition to the sale is expected to come from those who see it as a breach of the President's own policy to stem proliferation of nuclear weapons, and conservatives who object to India's military links with the Soviet Union. India recently signed a $1.6bn (£690m) arms deal with Moscow.

The Administration argues that an export ban would jeopardise U.S. relations with Prime Minister Indira Gandhi's Government when security issues in the subcontinent have been made more delicate by the Soviet occupation of Afghanistan.

The Delhi Government has *been insisting on the letter of* the 1963 contract whereby the U.S. promised to supply the Tarapur reactor near Bombay with nuclear fuel for 30 years. The dispute stems from the 1978 Non-proliferation Act in the U.S. which requires countries, after a certain grace period, to open all nuclear facilities to international inspection—or face a cut-off in U.S. fuel.

The Administration concedes that little or no progress on nuclear safeguards has been achieved within India, which in 1974 exploded a "peaceful nuclear device." But, apart from avoiding a damaging row with Mrs. Gandhi, it is argued that providing the 38 tons to tide the Tarapur plant over until 1982-83 would at least retain an American say in how that nuclear facility is run, and that the broader issue can be left for later.

Administration officials yesterday predicted that the uranium export might very well be approved by the Senate, but the mood in the House of Representatives was more hostile.

Two Congress chairmen charged with corruption

BY OUR WASHINGTON CORRESPONDENT

THE NUMBER of Congressmen indicted on charges of political corruption in the "Arab payments" scandal which broke in February has this week risen to five, and grand juries are still examining similar allegations against one more U.S. Representative and a Senator.

The latest pair to be charged, by a Federal grand jury in Brooklyn an Wednesday, are also the most senior. Mr. John Murphy, a controversial supporter of former Right-wing rulers such as the Shah of Iran and ex-President Anastasio Somoza of Nicaragua, is chairman of the House Merchant Marine Committee, which oversees subsidies to U.S. shipping. Mr. Frank Thompson, chairman of the House Administration Committee, a management body of the legislature, is the other man indicted.

By new rules of the Democratic Party, whose current majority gives it control over committee assignments, both men will have to step down from their committee chairs during the investigations.

Mr. Murphy and Mr. Thompson are each accused of taking about $50,000 (£21,000) from undercover FBI agents posing as acting for Arab clients, in return for agreeing to support private immigration Bills in Congress. Such measures could allow foreign businessmen to settle in the U.S. Mr. Murphy is also alleged to have sought investments in a shipping venture that might have benefited him, thus leading to conflict of interests.

The charges have been denied by the defendants.

Mr. Spencer Kimball . . . divine guidance

Mormons celebrate 150th anniversary

By David Lascelles, recently in Salt Lake City

SALT LAKE CITY, the remote, mountainous home of the Mormon church, is awash with visitors this year as the religious movement celebrates its 150th anniversary.

The centre of the celebrations is the walled enclave at the heart of the city which houses the sacred Mormon shrines. A highlight is the performance there on Sunday of the 375 strong Mormon tabernacle choir's programme of sacred music.

Many of the faithful and the curious also drop by the visitors' centre, where non-believers can take a guided tour of Mormon history and beliefs, including a film which depicts man's quest for happiness, culminating in the reception of the dead in heaven by smiling angels. The Mormons indeed have something to celebrate — a record of continuing growth in an age of religious scepticism.

Last year the religion won 200,000 new converts—perhaps not a big gain in absolute terms compared with other worldwide sects, but impressive relative to Mormon numbers. The converts brought the church's membership up to 4.5m of whom about 1.5m are outside the U.S.

It is a demanding religion, which requires that members donate 10 per cent of their income to the church. But the demands give it cohesion and wealth. The tithe enables the church to provide its members with a high degree of social security. *In fact, the church's* social and governmental system give it the appearance of a state within a state in some ways reminiscent of the Vatican. It publishes no details of its finances, though estimates run to billions of dollars, much of it invested in a wide range of commercial and industrial enter*prises, and in broadcasting.*

The church is also secretive about its inner workings. At the top is a group of elderly men called the Quorum of Twelve Apostles, and a three man presidency headed by an 85-year-old president, Mr. Spencer Kimball. The ruling group has the power to excommunicate members who challenge their authority.

Money and discipline have enabled the church to maintain a high level of missionary activity. Young Mormons are expected to spend part of their early adult life in missionary work.

Much of the church's present appeal seems to lie in the solid and wholesale values for which it stands, at a time when many faiths are in disarray

Mormons have a reputation for industriousness — Utah's state symbol is a beehive — and this is reflected in the orderly nature of the state's cities and countryside.

History, discipline and doctrine have given the church a remarkable cohesion and a low drop-out rate. But its conservatism has caused difficulties too. It has long been accused of racialism and until two years ago, it barred blacks from its lay priesthood. The ban was only dropped after Mr. Kimball received what has been described as divine guidance.

Resistance to change in established social patterns continues to upset feminists. The church has opposed the Equal Rights Amendment designed to enshrine equality for women in the U.S. constitution.

That is not because of the practice of polygamy often associated with Mormons. In fact, the church banned the taking of more than one wife back in 1890, but the past lingers on, not just in the memory of non-Mormons but in outlawed polygamous sects which exist in Utah and still describe themselves as Mormon.

Sifting the evidence on the U.S. recession

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

PRESIDENT JIMMY CARTER left *Washington yesterday* morning on a four-nation, eight-day European tour, the centrepiece of which is the Western economic summit in Venice. He is burdened by great uncertainty concerning one of the major items in his luggage, the state of the American economy.

Administration officials freely concede that they want to make energy, specifically the development of non-oil resources such as coal and nuclear power, the focus of the ostensibly non-political discussions at the Venice conclave.

But the state of the world economy is a prominent part of the Venice agenda and the U.S. is aware that the other summit participants, most of whom are facing very modest growth prospects at best are concerned about the severity of the recession in the U.S., still the most potent economic machine in the Western world.

A welter of recent statistics have underscored the depth of the decline in the last few months. The most recent is an *admittedly very preliminary* calculation by the Commerce Department that, in the second quarter of this year, Gross National Product fell in real terms at an annual rate of 8.5 per cent.

Most of the data for this projection was derived from April's performance and is clearly subject to revision—though the record in May was no improvement on April, with industrial production falling another 2.1 per cent, housing starts an additional 11 per cent and unemployment rising to 7.8 per cent.

Mr. G. William Miller, the Treasury Secretary, conceded in an interview published yesterday, that the economy was performing "worse than expected," and that official forecasts of only a couple of months ago, speaking of a "mild and short" recession, were "obsolete." Certainly, if the Commerce Department's initial projections prove accurate, then the economy will have fallen by nearly as much as in the first quarter of 1975, which was the *pits of the* worst recession since the 1930s.

But Mr. Miller also maintained that there is now evidence that "the rate of decline is beginning to attenuate" and that by the fourth quarter the economy should be on the road to recovery. This is largely based on the assumption that the recent sharp decline in interest rates will in due course stimulate the most grievously affected parts of the economy—the car and housing industries.

Nevertheless, speculation is rampant that the President will recommend a tax cut, to take effect in the 1981 fiscal year which starts in October, to help the economy and his own re-election chances.

Mr Miller was adamant that Mr Carter had ruled out a tax reduction for the present fiscal year and strongly implied that no decision would be made before the Administration's mid-year economic review is completed next month.

There is good reason for this: by then the Administration should have a clearer idea of what Congress intends to do with the federal budget for fiscal 1981. Last week it committed itself to a notional balance that nobody believes will be achievable and is already showing signs of breaking spending ceilings by pushing ahead with a :3bn (£858m) anti-recessionary *public works* programme.

The current fiscal year deficit is generally estimated in the $40bn to $50bn range, while that for next year, even without a tax cut, could comfortably approach $20bn or more.

On a more technical front, Administration officials are also waiting to see how savings rise. The existing tentative projections of a recovery towards the end of the year assume that the savings rate will rise to about 4½ per cent of GNP: but if it is much higher, then the recovery could be weaker and delayed.

Mr. Carter can take to Venice more confident evidence that the rate of inflation is falling appreciably. By the end of the summer, officials expect consumer prices to be rising at an annual rate of only 6 to 8 per cent, compared with 18 per cent at the start of the year.

Even though the underlying rate of inflation is still going to be in the 10 per cent range *for the full year*, the deceleration in the increase in consumer prices is an argument in favour of a tax cut. The Republican Party has been hammering away for one for some time and Congress may take matters into its own hands.

Former President Gerald Ford said yesterday that the *economy was in "free fall"* and headed for the worst depression since the 1930s. He forecast that unemployment could rise to between 9 and 10 per cent by November.

Mr. Ray Marshall, the Secretary of Labour, doubted this but even he conceded it could hit 8.5 per cent.

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British plea to Canada over constitution change

BY VICTOR MACKIE IN OTTAWA

MR. NICHOLAS RIDLEY, the British Minister of State for Foreign Affairs, has pleaded with Canadians not to dump their constitutional disputes into the lap of the British Parliament. Mr. Ridley said here that the British Government hopes Canada will not *involve it in "hot and agonising debate"* over the Canadian constitution.

He said that this could happen if a controversial Canadian move to transfer to Canadian control the British North America Act arouses stiff opposition across Canada. "The constitutional position is that if you send anything over, we would seek to enact it as requested," the Minister said.

However, he cautioned Canadians to be aware of the risk of strong opposition in Canada being carried to the UK by irate Canadians who would lobby British MPs, causing the controversy to *spill over to the floor of the* British House of Commons.

Mr. Ridley said he discussed the constitution in Ottawa with Mr. Jean Chretien, the Justice Minister, and other Ministers during his visit. The Act, Canada's written constitution, can be transferred to full Canadian control only by the British Parliament.

Mr. Nicholas Ridley

"We in Britain have no interest in taking any side or getting involved in any argument over the Canadian constitution," said Mr. Ridley.

Current account shows deficit of $2.57bn

BY OUR U.S. EDITOR

THE U.S. balance of payments on current account recorded a $2.57bn (£1.1bn) deficit in the first quarter of this year. This is somewhat larger than the $1.8bn shortfall of the preceding three months.

For 1979 as a whole, the current account, a comprehensive measurement of the nation's trade in goods, finances and services, was in deficit by $788m, the smallest for several years.

The principal reason for the larger deficit in the first quarter was because imports rose faster than exports. The $1.7bn widening of the trade gap reflected higher international oil prices and more imports of cars, machinery and copper. The partial embargo on grain sales to the Soviet Union, enacted after the invasion of Afghanistan, impaired the export performance.

Most Government officials now doubt that the current account will end up in surplus in 1980, as had been hoped last year before the last round of price rises by the Organisation of Petroleum Exporting Countries.

However, it is thought that the deficit will be of manageable proportions and will not be a cause of weakness *for the U.S.* dollar.

LDP favoured to win Japanese poll

BY CHARLES SMITH IN TOKYO

OPINION POLLS conducted by three Japanese daily newspapers and one news agency suggest that the Liberal Democratic Party has more than a 50 per cent chance of retaining control of the Japanese Parliacent in Sunday's election.

The party needs to win 256 seats in the lower house to hold a majority over all other parties. In the Upper House it needs a total of 127 seats. But the party holds 66 seats which will not come up for election since the polls affect only half the seats in the upper house.

The Liberal Democrats need to win 60 seats to retain control of the 252 seat-chamber (allowing for the fact that one vacancy will remain unfilled).

Forecasts of the election result based on polls of up to 130,000 electors indicate that the Liberal Democrats may win between 258 and 269 seats in the Lower House and perhaps 70 seats in the Upper House.

The opinion polls were conducted towards the end of last week. They thus reflect the attitudes of voters immediately before and after the death of Mr. Masayoshi Ohira, the former Prime Minister.

The polls present a more optimistic picture of the party's electoral chances than the one generally accepted at the outset of the three-week campaign. However, Japanese opinion polls have a notorious record. The major newspapers unanimously forecast that the Liberal Democrats would win the last general election in October 1979 by a comfortable margin but the result was disappointing. Some analysts believe that the publication of optimistic forecasts actually deterred some supporters from going to the polls.

There are a number of reasons why the Liberal Democrats are doing better than expected in the current campaign. These include the failure of the opposition to make corruption a major issue, since many of the more notoriously corrupt Liberal Democrats have stood down, the failure of some of the smaller opposition parties to put up joint candidates in some constituencies, and the death of the Prime Minister which may have given rise to a "sympathy vote."

A further factor could be the suddenness with which the election was announced, following the passage of a no confidence vote against the Government on May 16. The element of surprise is thought to have favoured the ruling party since it has a bigger supply of ready cash for fighting elections than its rivals.

Yigal Hurvitz: not satisfied with cuts

Israeli Cabinet in balance over budget row

BY L. DANIEL IN TEL AVIV

THE FATE of the Israeli Cabinet hung in the balance last night following a nine-hour session at which it was decided to cut the country's defence budget by I£7bn (£60.6m).

The decision is the culmination of a protracted struggle which has divided the Cabinet and brought Mr. Yigal Hurvitz, the Finance Minister, to the verge of resignation, so threatening the survival of the Government.

At stake, also, is the outcome of the strenuous U.S. efforts to keep alive the Israeli-Egyptian negotiations on Palestinian autonomy. The life of the present Knesset is not due to expire until the autumn of 1981.

Mr. Hurvitz has demanded a I£15bn cut, rather more than double the sum agreed. He is supported by two colleagues of the so-called "Rafi faction" of the ruling coalition who are defectors from the opposition Labour Party. Last night the three were meeting to decide whether the Minister should resign.

Apart from them, Mr. Begin, who hitherto has commanded 65 votes in the 120-member legislature, also depends on the support of two other minority groupings. They are the National Religious Party, whose backing seems assured, and the Democratic Movement for Change led by Mr. Yigal Yadin, the Deputy Premier.

Under discussion were other alternatives for cutting expenditure in a bid to slow down the rate of increase in Israel's money supply and roaring inflation.

Mr. Begin's coalition has already been shaken and weakened by the resignation of Mr. Moshe Dayan from the post of Foreign Minister and Mr. Ezer Weizman, former Minister of Defence.

Its fate was further jeopardised by the threat of Mr. Ariel Sharon, Minister of Agriculture, to pull out unless he was given the defence portfolio which Mr. Begin took over late last month "for the time being."

If Mr. Hurvitz were to resign, he might bring down the Government. The defection of the three Rafi members together with another four or five from other factions and parties, who are known to favour early elections, could be sufficient for a no-confidence vote.

Another possibility is that Mr. Hurvitz might abstain. Then he would automatically remain in his post in what would be a caretaker regime and would be in a position to insist on the full reduction in defence spending which amounts to about 3.5 per cent of the military budget for the current fiscal year.

There is widespread opposition to a cut of the magnitude demanded by Mr. Hurvitz on both sides of the Knesset. Those likely to vote against the Government, if he resigned, might have second thoughts, if it meant leaving him in charge to do as he likes for something like five to six months.

The Minister of the Interior has indicated that it would require two to three months to prepare early elections which might well be followed by lengthy negotiations for a Labour-led coalition.

AP reports from Bethlehem: Arab students and officials angrily demanded the withdrawal of Israeli troops from Bethlehem yesterday after a young Arab woman was wounded in an apparently accidental shooting by an Israeli border policeman.

Israeli officials promised a thorough investigation of the incident, including a court-martial if necessary. Early indications showed that the shooting was unintentional, a spokesman said.

The woman, aged 19, was reported to be in good condition after treatment at a Jerusalem hospital for a neck wound. Friends alleged she had been shot at from a passing Israeli vehicle while on her way to classes at Bethlehem University.

Egypt's new regulations confuse merchants and bankers

BY ROGER MATTHEWS IN CAIRO

THE IMPORT of goods into Egypt is in a state of confusion as foreign companies and banks, together with local merchants, attempt to assess the implications of two new regulations issued by the Government.

Some banks report that they have not issued any letters of credit in respect of imports for the past 10 days and fear that unless there is rapid clarification of the Government's intentions, long-term damage could be done to Egypt's chances of attracting more foreign investment.

The controversy centres on Decree 15 issued early this month, which establishes new conditions for private sector imports, and on new regulations requiring foreign banks operating in Egypt to deposit 15 per cent of their hard currency deposits with the central bank.

The purpose of the Government under Decree 15 is to tap an increasing share of the estimated £854m a year earned by Egyptian workers abroad. These remittances enter Egypt in two forms, either through straight cash transfers or through the so-called own exchange — a shadowy system whereby privately-held foreign exchange is used to finance a wide variety of imports.

There is little accurate information about the own exchange system but senior Egyptian officials believe that it is mainly responsible for the flood of imported consumer and luxury goods that have transformed Cairo's shops in the past two years. This has caused serious political anxieties because of the highly visible contrast such relative affluence provides when set against the living standards of the mass of the population.

To regulate these imports the Government has stated that private sector companies can only import into Egypt if they first open a letter of credit with one of the registered banks. Depending on the category of import the merchant will have to deposit either 25 per cent, 40 per cent or 100 per cent of its value.

The 25 per cent list includes almost exclusively food items and medicines. The 40 per cent category covers a range of fuels, raw materials, semi-finished and capital goods. The top category is designed for luxury items.

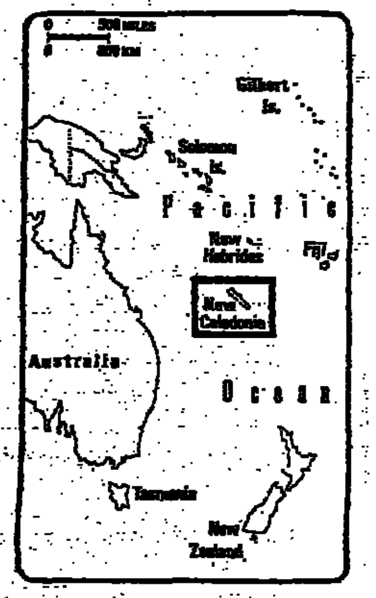
Until the complete list is available merchants cannot be sure into which category their operations will fall. There is equal consternation among the Law 43 companies—that is the firms which have come into Egypt under the privileged conditions provided for by President Anwar Sadat's open-door policy.

Although there have been verbal reassurances that they can continue importing under the open consignment system or via suppliers' credits nothing has appeared in writing since the publication of Decree 15. Some of these companies have consignments en route to Egypt and under the new system such goods can only be cleared from Customs on presentation of the letter of credit showing that the initial deposit and then the full value of the shipment has been paid.

The foreign banks in Egypt, which have been the most noticeable growth area under the open-door policy, are no less concerned over both this new import system and the regulation requiring them to place 15 per cent of their hard currency deposits with the central banks. Some two weeks after the Government first proposed the scheme the banks claim still not to have any clear idea of how it is to work.

Dangers for France from New Caledonia's volatile mixture

BY PHILIP BOWRING, RECENTLY IN NEW CALEDONIA



WASHED UP on a beach in New Caledonia on a Sunday afternoon is the flotsam of empire. It is not an unpleasing sight. Europeans bronze, Melanesians bleach, Vietnamese, Levantines and Africans just soak up the Pacific sun.

Behind the beach, a well made Corniche carries its burden of Renaults to citron pressé, boeuf en croûte, Danone, the Club Mediterranée and, if they are very lucky, an old copy of Le Monde.

The nearests points of reference are Brisbane, Vila, Auckland and Sua. But this is Noumea, capital of New Caledonia, overseas territory of France, home to 135,000 people, all of whom are French, but not all of whom want to be.

France's presence helps explain recent bizarre developments in the neighbouring New Hebrides, where Britain and France have been at loggerheads over attitudes to Jimmy Stevens' bow-and-arrow rebellion. French sympathy with the movement stems from worries both about the further spread of English-speaking influence in the area and about the impact of the Melanesian nationalism of the New Hebrides' ruling Vanuaaku Party on her hold on New Caledonia.

New Caledonia is a 300-mile-long island, slender, mountainous, very green and ringed with coral. It is warm and dry: above all it is rich. It produces 12 per cent of the world's nickel and has gigantic ore reserves.

But the racial mixture and wealth are potentially explosive. At the last official count in 1976, Europeans constituted 50,000 people or 38 per cent of the population, indigenous Melanesians made up 42 per cent and "others" 20 per cent. The Europeans include various mixed-bloods and people assimilated into French culture, and consists both of settlers and of perhaps 10,000 non-permanent residents from metropolitan France. Of the "others" group, the biggest contingent are Polynesians from Wallis, an overcrowded French-owned island north-east of Fiji, and French Polynesia.

Among New Caledonia's English-speaking neighbours is concern at what could happen to this complex remnant of colonialism. This concern is often treated with disdain by France, which is ever suspicious of plots by English-speaking nations to destroy "francophonie" in the South Pacific. There is concern in Paris too. The South Pacific has recently been visited once by President Giscard d'Estaing and twice by M. Oliviér Stirn, the Secretary of State for Foreign Affairs. M. Paul Dijoud, the Minister of State for Overseas Territories is a frequent visitor. The "Plan Dijoud" is France's response to the territory's "crisis."

Of the English-speaking countries, Australia and New Zealand are anxious that New Caledonia's problems should not develop into open conflict of black against white, which could embitter their relations with Melanesians and Polynesian countries and raise the danger of outside interference. China and the Soviet Union are actively competing for influence.

Fiji, the Solomons, and the New Hebrides, which are wholly or predominantly Melanesian in race, are also Melanesian in sympathy and believe decisions should be made in New Caledonia, not 12,000 miles away in Paris. But metropolitan France does not want to desert Frenchmen or the French language. It also wants to retain an important link to its Polynesian nuclear testing grounds. A guaranteed nickel supply and a 40 per cent share of the island's $400m in imports are bonuses.

France's official position is that New Caledonia can have independence any time it wants it. There is no reason to doubt that claim. What is in doubt is how France sees its own future and how it intends to influence a finely balanced situation.

At elections held in July last year, the essentially Gaullist Rassemblement pour la Nouvelle Caledonie dans la Republique, which stands for closer integration with France, won 40 per cent of the vote, the centrist Federation pour une Nouvelle Societe Calerdnienne, 17.8 per cent, and the Front Independentiste, calling for an independent, basically Melanesian country, 34.42 per cent.

All groups are coalitions. The Front Independentiste runs the gamut from moderate liberal to an orthodox Marxist to Melanesian exclusivist. Even so, the voting shows three broad and different choices before the island: moving even closer to France, moving towards independence on a broad multiracial basis sealed with a French cultural veneer, and independence on the terms of the Melanesian "indigenes."

The key may be in the racial balance. In the 19th century, New Caledonia seemed destined to become a tiny Australia. Convicts and political prisoners were shipped out to colonise the island; Melanesians died by the thousand from European diseases. By 1900, there were almost as many Europeans as Melanesians. But many expatriates left and Melanesian numbers recovered.

In more recent years, settlers evicted from Algeria and Indochina or attracted by the nickel boom of the late 1960s have swelled European numbers to 51,000 in 1974, against 18,000 in 1946. Many Melanesians believe that France is still pursuing an active policy of encouraging immigration and diluting the Melanesian presence. But with the economy stagnating over the past four years, more Europeans have left than arrived.

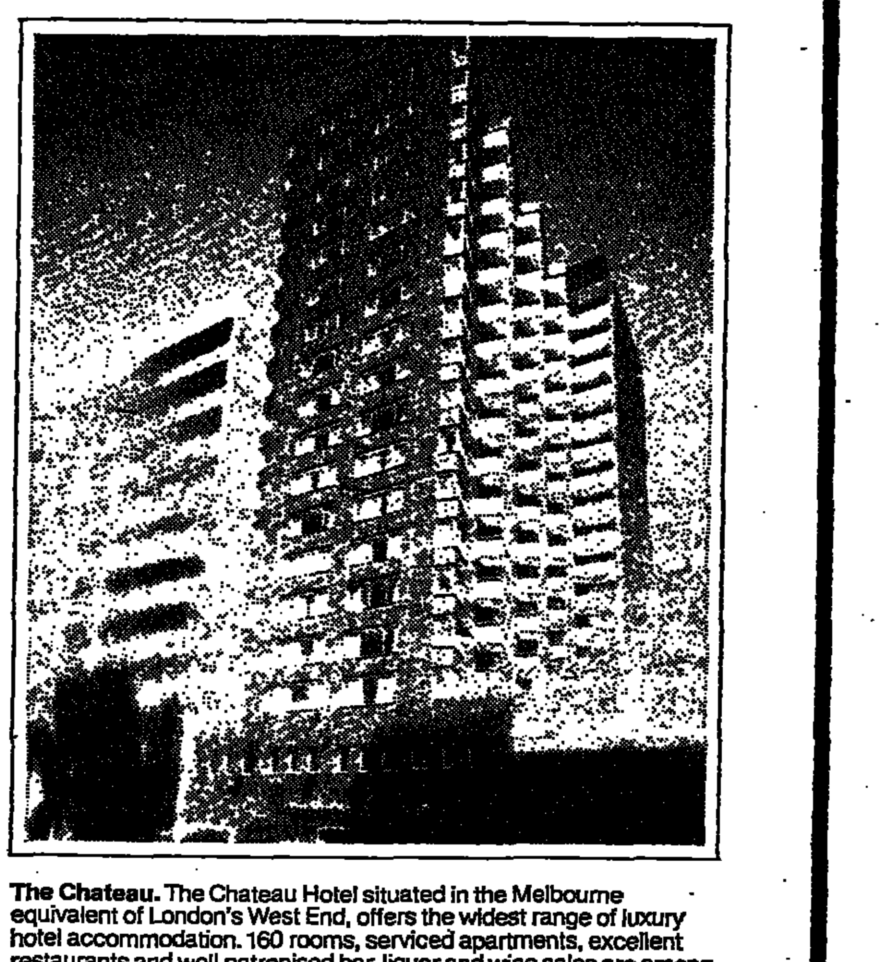
France maintains that New Caledonia is not a profitable possession. The main nickel producer and smelter, Societe le Nickel, has been in the doldrums since 1976 and France must spend some FFr 50m on the territory.

Aware of the dangers of disparity between the immigrants and the Melanesians, half of whom live at subsistence level in the countryside, M. Dijoud launched his ten-years economic and social development plan in 1978.

It aims to advance the social position and education of Melanesians; at present, they account for only 20 per cent of pupils at secondary schools.

But the plan seems to be making slow progress. Melanesians are in little hurry to adapt their culture and priorities to those of France while racial consciousness is growing. Independence in the New Hebrides will make an impact and Papua New Guinea has threatened to raise the issue of independence for New Caledonia at the United Nations.

The best solution would be a gradual move to independence through moderate parties spanning the racial mix and with French language and culture as the common denominator. But the French system is metropolitan to the core while the local community is divided. The alternative could well be a wide rift between a European right wing, many of them die-hard *colons*, hankering to be forever part of France and an increasingly embittered Melanesian community, receiving moral and even material support from independent Pacific neighbours.



Indonesian oil output declines

JAKARTA — Indonesia's total crude oil exports may decline to 400m barrels this year from 411m in 1979, Mr. Subroto, the Mines and Energy Minister said yesterday. Total production this year will drop to an average of 1.5m barrels per day from 1.58m last year.

Mr. Subroto said the current boom in oil exploration was expected to reverse the decline next year, but he did not forecast 1981 production.

He said Ministers of the Organisation of Petroleum Exporting Countries were concerned by the creation of stockpiles totalling about 4.2bn barrels of crude in advanced countries. Continued world output of 29.5m b/d could boost these reserves to 5.1bn barrels by the end of the year.

Mr. Subroto said OPEC was considering measures to control production, because a sudden release of stockpiled oil would flood world markets and threaten OPEC pricing policies.

The next regular meeting of OPEC Ministers is set for December 15 in Bali, Indonesia, following an OPEC summit conference in Baghdad from November 4 to 6. The Baghdad meeting is intended to approve a long-term strategy involving oil pricing, production levels and relations with consuming countries.

Reuter

Korean college ban relaxed

KOREA'S martial law command yesterday relaxed an earlier measure closing universities and colleges and said certain schools could reopen on Monday.

All universities and colleges were closed indefinitely on May 17 when martial law was extended to cover the whole country after the spread of anti-government demonstrations.

The authorities announced yesterday that 38 out of 329 people sought in connection with the recent disturbances had so far surrendered. They included an opposition member of the National Assembly, Mr. Lee Yong-hee, who is a close aide of the imprisoned dissident leader, Kim Dae-jung.

AP

Gloom in New Hebrides after abortive peace talks

BY DAVID TONGE

A DAY OF TALKS yesterday between the rebels on Espiritu Santo and the Government of the New Hebrides ended last night in apparent acrimony. "There is little reason for optimism," a Government spokesman said.

Three of the supporters of Mr. Jimmy Stevens, who declared himself "President of Paradise" three weeks ago, exchanged recriminations with a representative of the Government of Father Walter Lini. The representative had flown in to Espiritu Santo with one French and one British official.

The two countries had planned to give their troubled Pacific condominium indepence on July 30, but have recently appeared to question whether this date is still possible. Other differences over the islands have also come into the open. A spokesman for Father Lini has called recent French pronouncements "provocative and misleading."

Mr. Peter Blaker, Minister of State at the British Foreign Office, yesterday met M. Paul Dijoud, the French Minister for Overseas Territories, in Paris in an attempt to resolve the two countries' differences. France has criticised the British dispatch of 200 marines to the New Hebrides.

The French view is that problems on the islands can best be solved by negotiations. Last week, following a second, but unsuccessful rebellion, on the island of Tanna, the French sent in 60 gendarmes from New Caledonia, but these were withdrawn within 24 hours.

Since then the French have argued that Britain's dispatch of marines was not agreed between the two countries.

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Industry wants fair trading conditions

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A CALL to the Government and the EEC to "show their determination and ability to ensure fair trading conditions for all" was issued yesterday by the Confederation of British Industry in a new trade policy document.

The document rejects the idea of across-the-board import controls and says that most CBI members support a liberal framework for international trade.

There are only two cases in which the CBI believes the Government should seek to limit imports. One is where it is necessary to shield industry from "manifestly unfair competition." The other is where it is necessary to "relieve the social cost of adjustment for hard hit industries by giving them time to reorganise to meet new market conditions."

Described as a "ten-year look forward," the document says: "Under fair competition our members fully accept the disciplines of the market economy, but "among members in threatened sectors like textiles and footwear feelings run high both over unfair trading practices, and over the speed and scale of adjustment demanded of them."

Despite considerable dissatisfaction among many companies, the CBI assumes that Britain will remain within the EEC.

"The emphasis of the next decade is likely to be on maintaining the existing freedom of world trade, and on industrial limitation.

"It will therefore be hard enough for British industry without any gratuitous handicaps; and so we assume continued EEC membership, because we consider it desirable."

No extremes

Extensive consultation among CBI members showed that "British industry effectively rejects the extremes of sweeping protection and pursuing absolutely free trade as feasible options in trade policy over the next 10 years."

This meant that they rejected one option put forward in a consultative document last year that there should be a clear strategy for preserving core industries or the cores of key industries.

"A minority of members favoured a strategy of protection to put a core industries concept into effect. But most of those consulted, while not ruling it out, were clearly anxious lest such a policy should lead to the preservation of the inefficient."

Instead, the majority of CBI members opted for a second option put forward in the consultative document, that there should be a liberal framework of trade, with the EEC "vigorously and swiftly" using its powers to protect industries against disruptive or unfair imports.

The CBI also wants a "far tougher approach to those countries which renege on their international obligations or quite simply fail to accept that they have any, even though their economic stature is such that they could take them up."

Some advanced developing countries, says the CBI, should open their markets to more imports in return for the relatively open access they have to the EEC. Less developed countries "should progressively take on more obligations in international trade to match their stage of economic development."

OECD countries should reform GATT "to induce graduation to intermediate status" of those countries ready for it. Incentives greater than the generalised scheme of preferences would be needed.

International Trade Policy for the 1980s. Price £6. CBI Publication Sales, Centre Point, 103 New Oxford Street, London WC1.

Zimbabwe seeks joint ventures

BY OUR FOREIGN STAFF

EEC AID and the involvement of European industrialists is being sought in 12 joint venture projects by African businessmen in Zimbabwe.

The projects, which range from participation in a new African commercial bank to small mining and low cost housing, have been the subject of talks in the last week between members of an African Business Promotion Association mission from Zimbabwe, and British and European industrialists.

The association, which was created two years ago to boost black African involvement in the white-dominated Zimbabwean economy, says it has found its initial response "very encouraging."

The European Centre for Industrial Development, which works within the EEC-Lomé association, is to undertake studies of certain of the projects, while so-far unspecified European banks have been approached to contribute up to 48 per cent in the equity of a new commercial bank.

● The Shell Petroleum Development Company of Nigeria has awarded a Fl 100m (£22.2m) contract to Volker Stevin, the Dutch dredging and construction group, to build a village comprising 230 houses and flats for its staff. The order includes the building of roads, water, sewage, telephone and electricity supplies. The village will be built near Warri in south-west Nigeria.

Singapore in E. German air deal

By Leslie Colitt in Berlin

EAST GERMANY and Singapore have signed an air traffic agreement which East Germany says will allow its Interflug airline to "secure" its operations to South-east Asia and the Far East. Interflug has no scheduled flights to either area but conducts charter flights to several countries with mainly aid shipments aboard.

The East German airline recently halted its remaining domestic air service because of soaring fuel costs, in order to concentrate on foreign destinations. Although it uses Soviet-built aircraft with inefficient engines, its operating standards are higher than most of the other East European airlines. Interflug has a growing number of charter flights out of East Berlin's Schönefeld airport, carrying West Berliners and West Germans to Mediterranean and African destinations at low prices.

Recently the airline and several other East European carriers, including Aeroflot, have been flying West Berliners at cut-rate prices from East Berlin to Athens, Crete and Rhodes.

● East Germany and Greece have signed a long-term agreement on economic, industrial and technical co-operation

Dr. Gerhard Beil, East Germany's State Secretary for Foreign Trade, had talks in Athens with Mr. Constantine Mitsotakis, the Greek Foreign Minister, Mr. S. C. Dimas, the Trade Minister and the Ministers for Agriculture, Industry, Energy and Transport. East Germany does not publish any figures for its trade with Greece, indicating it is minimal.

Romania threat to Davy plan for India

BY K. K. SHARMA IN NEW DELHI

A MAJOR CHALLENGE to the proposal by Davy International and British Steel to establish an integrated $2.6bn steel plant at a coastal site in India has come from Romania. An official bid to set up the plant was made yesterday by Mr. Loan Avram, the Romanian Minister of Machine Building Industry, when he met Mr. Pranab Mukherjee, India's Minister of Steel.

Davy International, which has proposed a complete package to build a 1.5m tonne steel plant at Paradip in Orissa state on a turnkey basis, now faces two main rivals. Apart from the Romanian bid, Manneseann Demag of West Germany has also submitted a complete package which, like the Davy proposal, includes total financing by governments and banks.

The Romanians are also reported to have said they are in a position to submit a package, and this makes them a serious contender. However, unless they present considerably better terms than Davy or Mannesann, the Romanians are unlikely to win the contract since they would have to start studying the project site now. Both Davy and Mannesann have already submitted project reports and have made all the preliminary detailed studies needed. All that remains is a decision to choose one of them.

Both the British and West Germans want an early decision, preferably by September, and it is unlikely that their extremely favourable terms will stand if a decision is delayed by the Indian Government.

This is because the senior-most civilian is the steel minister, who is the brains behind the project, has just been replaced and his successor still has to adapt himself to the Ministry. In the event of a delay, the British and West Germans wish to revise their proposals. If the project is then thrown open again, the Romanians could become serious rivals.

The Romanian Minister made a number of proposals for industrial collaboration in India. These include setting up thermal power plants, an iron-ore pellestisation at Kudremukh, manufacture of locomotives, a heavy water plant and a fertiliser plant.

Norway told to halt curbs

GENEVA — The 62-nation Council of the General Agreement on Tariffs and Trade (GATT) has told Norway to halt discrimination of textile imports from Hong Kong "as soon as possible."

The Council decided on the recommendation after approving in principle a report by an expert panel which said that Norway had violated GATT rules in starting restrictions against Hong Kong textiles in July 1978.

The panel was appointed several months ago to examine a complaint from Hong Kong against the Norwegian measure on the grounds that Norway had exempted other textile suppliers from these restrictions.

GATT said the Norwegian measure constituted a trade discrimination against Hong Kong and thus was not in compliance with GATT Article XIII.

AP

Portugal strengthens Saudi ties

BY JIMMY BURNS IN LISBON

PORTUGAL is to establish full diplomatic relations with Saudi Arabia in an attempt to strengthen Portugal's chances of securing adequate oil supplies and to improve overall Portuguese trade with the Arab world.

Saudi Arabia is Portugal's second largest oil supplier and last year accounted for 24 per cent of total Portuguese needs. But the Portuguese authorities recently indicated their concern that lack of diplomatic links with leading oil producers, including Saudi Arabia, was contributing to uncertainty over supplies for 1980, and to the widening trade gap between Portugal and Arab countries.

Portugal's trade deficit with Saudi Arabia since 1973 has increased from Escudos 1bn (£9m) to more than Escudos 6.8bn. The gap reflects both the increased price of oil and limited Portuguese exports.

Yesterday's announcement of diplomatic links is the result of months of intense activity, spearheaded by Sr Pedro Pires de Miranda, a member of the board of Petrogal, the Portuguese state oil company. Sr Miranda has taken charge of co-ordinating and developing political and trade links with oil-producing countries.

In the wake of the Iranian crisis and the reluctance of some countries, including the Soviet Union, to renew their contracts, Sr. Miranda has been diversifying Portutgal's sources of supply and haggling for better pricing on present arrangements.

Last February, Mr. Nasser Almanquor, the Saudi Arabian ambassador to Spain, said after talks in Lisbon that his country was prepared to make up the shortfall in Portugal's 1980 oil import requirements. Portuguese officials are hoping that closer diplomatic contacts with Saudi Arabia will keep down this year's oil bill which has been forecast to double to Esc 2.4bn. Iraq, Porttugal's main oil supplier, recently announced that it would increase its crude oil deliveries to Portugal by 40 per cent.

TAX COMPUTER BIDDING MAY BE THROWN OPEN, SAYS GUY DE JONQUIERES

ICL fears over 'crucial' order

THE GOVERNMENT is expected to decide later this month whether non-British companies will be allowed to compete against International Computers for the contract to supply the Inland Revenue with a £150m computer installation.

The project is believed to be the biggest civil computer programme planned by a public authority in Europe. By computerising the PAYE system, the Government will be able to carry out its plans to allow self-assessment by tax-payers in preparing their tax returns.

ICL is the UK's only sizeable general purpose computer manufacturer. It considers that winning the order would be crucial to its commercial future. But it fears that if bidding is opened to foreign companies, they will submit low price tenders it will be unable to match.

The machines needed are valued at about £80m. One big American company is believed to be preparing a bid about £6m less than the one ICL is thought to be planning.

Government orders account for only about 6 per cent of ICL's sales. But the company fears that if its bid is repected, foreign competitors will establish an important psychological beachhead in a key sector of the British market.

It is worried that failure to win the order would be interpreted by its customers as a vote of no confidence by the Government in ICL's products. That could badly damage its export prospects. Computerised tax systems are planned by several governments. Greece and New Zealand are expected to award orders soon.

At present, almost all Government computer orders worth £100,000 or more are awarded to ICL under a preferential public procurement policy. But Britain is committed by EEC and General Agreement on Tariffs and Trade rules to phase this out at the end of the year.

Several big American computer companies are urging the Government to delay calling for tenders on the Inland Revenue project until after the preference policy expires, so they will be able to submit bids.

They say the scheme is so large and complex that the Inland Revenue should be permitted to choose between several proposals, rather than rely on a single tender from ICL.

ICL's chief competitors are International Business Machines, Burroughs, Sperry-Univac and NCR. All except Sperry have manufacturing operations in the UK.

IBM, which has made a special effort to lobby the Government, has emphasised that it has acquired much experience in installing big computer systems worldwide. ICL, by contrast, has never supplied a system of the size envisaged.

The Inland Revenue is believed to have been impressed by these arguments and to favour throwing the bidding open to multiple tenders.

The Industry Department, on the other hand, thinks bidding should be restricted to ICL in the interests of strengthening Britain's computer industry. Treasury Ministers are believed still to be uncommitted.

The issue is due to be discussed by Ministers concerned in the next few days. But it is considered likely that the final decision will have to be taken by the full Cabinet.

ICL has been putting its case to Ministers privately this week. It is keen to demonstrate it is able both to supply the necessary machines and the sophisticated software to link the system together.

In the past few weeks, it has been running a computerised simulation of the proposed system. The interaction of up to 1,000 terminals with a large computer is recreated. It has asked independent experts to report on the simulation, known as Adnet.

The company has been working closely with Logica, a leading UK company which writes programmes. It plans to invite a third British company, whose identity has yet to be decided, to supply terminals for the Inland Revenue project when it submits its bid.

Robin Pauley writes: Nearly every general practitioner's surgery should contain a computer within 10 years, says a Royal College of General Practitioners' working party report published last night.

Doctors should be using computers widely within five years. The result should be better treatment, safer drug prescribing and improved medical research without sacrificing the confidentiality of patients' personal records.

Once medical records are computerised, the machine will be able to warn of possible interaction between drugs. Prescriptions could be printed out legibly, avoiding the possibility of error, and issuing repeat prescriptions would be much simpler, saving much of the doctor's time.

Eventually all medical records would be stored in computer systems. Privacy would be safeguarded because access to them would be possible only if doctors used a special password code, says the report.

Kissinger criticises West's reaction to Soviet 'global offensive'

BY MAURICE SAMUELSON

DR. HENRY KISSINGER, former U.S. Secretary of State, expressed concern in London yesterday at the success of the Soviet Union's "global offensive" and the West's lack of decisiveness in reacting to it.

He also criticised the EEC's latest Middle East initiative and favoured the West Bank's return to Jordanian control rather than the early creation of a Palestinian State there under Palestine Liberation Organisation control.

The next U.S. Administration, he said, should build up its military capability, especially in the Middle East, and open negotiations with the Soviet Union on an international "code of practice" for dealing with Third World countries.

Dr. Kissinger was giving the opening address at a conference in London on energy, organised by International Herald Tribune and Oil Daily.

"We face a global crisis produced in very large degree by neglect of defences by the industrial democracies at a time when the Soviet Union has been increasing its defence potential by 5 per cent per annum for the past 20 years," he said.

It was "imperative" for the U.S. to restore its military capacity. Unless the regional balance was restored, insecurity there would increase, pro-Soviet forces would be boosted and pro-U.S. countries would become more and more demoralised.

'Apalled'

On the American hostages in Iran, Dr. Kissinger said he was "appalled" by suggestions that the U.S. should resolve the issue by an act of "self-abasement whereby we should confess our 'sins'."

The U.S. should not turn its back on people who had stood by her in her hour of need." "U.S. foreign policy runs to interests and not to individuals." It should demonstrate that there was a benefit in being a friend of the U.S., that the U.S. stood by her friends and that it was risky to be her adversary.

The U.S. wanted Middle East States to be independent. "But they cannot use us to act out their domestic dramas."

After the November elections, the U.S. should also be prepared to negotiate with the Soviet Union on rules of international conduct, which proscribed the use of force, the proxy use of troops, and terrorism.

Turning to the Arab-Israeli conflict, he said the problem of the West Bank could not be solved by "a great gimmick or a magical solution," and that its solution would not automatically solve other problems in the region.

Showing distaste for calls for a Palestinian State and the proposed involvement of the PLO, he said the U.S. "must no tact as in response to radical pressures." It was in nobody's interest to maintain the status quo on the West Bank. The Camp David talks should be given a chance to succeed.

If the area was first returned to the control of an Arab State, the question of political authority there could then become an internal Arab problem. Otherwise it could become like South Yemen, where authority had been withdrawn too quickly allowing radical elements to move in.

"The last thing the Middle East needs is another radical State attacking all the institutions and moderate Governments there," he said.

In relations between oil consumers and producers, too, Dr. Kissinger said firm policies and a dialogue were in the interests of both sides.

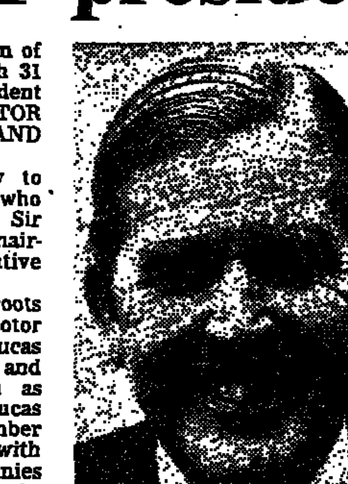
The industrial countries must act in unity and not try to steal a march on each other by getting special privileges from oil-producers. Once it was admitted that political conditions could be exacted for the price of oil, those who gained advantages would be the next victims.

In a Press conference after his lectures, Dr. Kissinger said he did not understand what the EEC initiative on the Middle East, issued at last week's Venice summit meeting, was intended to achieve.

He said he doubted whether Europe could operate independently of the U.S. in the area.

APPOINTMENTS

SMMT president change



Sir Bernard Scott

Sir Bernard Scott, chairman of Lucas Industries until March 31 of this year, is the new president of the SOCIETY OF MOTOR MANUFACTURERS AND TRADERS.

He was elected yesterday to succeed Sir Barrie Heath, who becomes deputy president. Sir Bernard was also elected chairman of the Society's executive committee.

Sir Bernard, 65, has his roots firmly embedded in the motor industry. He first joined Lucas in 1931 as a special trainee, and after war service returned as sales director of Joseph Lucas (Electrical) in 1947. A number of senior management posts with various of the Lucas companies followed, and he became chairman of Lucas Industries in 1974.

Among other interests, he is a past member of the British Overseas Trade Board, a vice-president of the Engineering Employers' Federation, and for two years was president of the Motor Industry Research Association.

Prior to yesterday's election, he was a vice-president of the SMMT, representing it on the Council of the Confederation of British Industry.

Sir Barrie, who was elected SMMT president in 1978, was formerly chairman of Guest Keen and Nettlefolds, a post from which he retired at the end of last year.

★

Mr. Peter Paxton, a director of the Co-operative Bank and chairman of the CWS, will succeed Sir Arthur Sugden as chairman of the CO-OPERATIVE BANK on his retirement in September. Mr. Dennis Landau, whose appointment to succeed Sir Arthur as chief executive of the CWS in September was made public last month, is to become a director of the bank from September 15. In addition the following CWS directors will join the bank board on September 15: Mr. J. H. Currie, Mr. R. G. Aspray, Mr. U. S. Todner, Mr. F. E. Creed, and Mr. K. M. Cotterill.

★

Mr. Allen Sheppard has been apopinted chief executive of the newly created brewing and retailing division of GRAND METROPOLITAN. He remains chairman and chief executive of Watney Mann and Truman Brewers. Mr. W. F. Hannon, formerly chairman and chief executive of Chef and Brewer becomes deputy chief executive of the brewing and retailing division. Mr. T. O. Thwaites assumes full executive responsibility for Chef and Brewer. Mr. Sheppard joins the board of Chef and Brewer as deputy chairman and becomes chairman of Holsten Distributors, replacing Mr. S. G. Grinstead. Mr. Sheppard also becomes chairman of Watney International in place of Mr. Grinstead. With Mr. I. R. Gibbons' promotion elsewhere within Grand Metropolitan, he resigns from the board of Watney Mann and Truman Brewers and his responsibilities are reallocated as follows: Mr. J. N. Heyles, group director for Drybrough and Co., Samuel Webster and Sons and Wilsons Brewery. Mr. I. A. Martin, group director for Norwich Brewery and Watney Export.

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Sir Jasper Hollom, former deputy governor of the Bank of England has been appointed a director of PORTALS HOLDINGS.

★

Mr. A. A. Gregory has been appointed a director of WILLIS FABER. Mr. G. J. White has been appointed secretary in place of Mr. J. E. Waite who remains a director. Mr. F. Boglione and Mr. N. P. Davenport have been appointed executive directors of WILLIS FABER AND DUMAS in the re-insurance division. All the appointments take effect from July 1.

★

Mr. ... relinquished his duties as works director on being appointed sales director of WELWYN ELECTRIC. Mr. J. R. Wray has been appointed works director.

★

Mr. John Disley has been appointed to the board of WINCOTT GALLIFORD part of the Galliford Brindley Group.

★

Mr. A. W. Bowes has been appointed to the board of J. H. FENNER AND CO. (HOLDINGS).

★

Mr. Nicholas J. Hobson has joined the board of DAYTON GROOM AND SAUNDERS as managing director.

★

Mr. John Carver has become financial director and Mr. Terry Briggs personnel director of WEETABIX.

★

Mr. Richard Gamble has been appointed to the newly-created post of chief financial officer of COMPUTER MACHINERY COMPANY. He assumes overall responsibility for all CMC's financial and commercial activities, reporting directly to managing director Mr. Irvin Ella.

★

Mr. D. Asdell of Churchill Instrument Company is the new chairman of the MACHINERY AND ENGINEERS GROUP OF THE BRITISH PLASTICS FEDERATION. He took over the chairmanship from Mr. P. H. Young, who continues to sit on the management committee of the group, the steering committee of Interplas '81, and to be the BPF representative at the exhibitors' exhibition at Euromap.

★

GENERAL MILLS has elected Mr. Mark H. Willes executive vice-president and chief financial officer from July 1. He also will serve as a member of the management policy committee.

★

To coincide with his retirement, Mr. D. C. Green has resigned as joint managing director of ASSOCIATED ASPHALT COMPANY and a director of ECC QUARRIES. Mr. M. R. Green has been appointed sole managing director of Associated Asphalt Company and also joined the Board of ECC Quarries.

★

Mr. John H. Horne and Mr. ... Boyd have been appointed directors of P. S. REFSON AND CO. A holding company, P. S. Refson and Co. (Holdings) has been formed and will hold the shares in P. S. Refson and Co., City merchants and other subsidiary companies. The Board of the holding company will consist of Mr. G. N. Waters, Mr. C. M. Wigan, Mr. C. J. Charlwood and Mr. M. Joseph.

Being 'British' is best, says BA

BY JAMES McDONALD

BRITISH AIRWAYS, with one bold slash of the paintbrush, is to distinguish itself from its rivals — British Caledonian, British Midland, British Air Ferries, British Executive Air Services, British Cargo Airlines. In place of the words, British Airways, on its fleet of 177 aircraft will be just one word, British, in letters seven feet high.

This "bold new look" will also be seen on 250 of the corporation's vans and trucks. The remainder — it has about 2,500 — will become white when maintained or replaced in the next three years, "so when the change-over is complete we will actually start saving money on painting costs."

The new look will be used on tickets and ticket wallets from about September. The first British-only aircraft will appear at Heathrow next week. Only part of the hull will be repainted. The red, white and blue tail emblem will remain. The change should be complete by next spring.

"In this one word, 'British,' we express our own confidence that in this field, British is best — and that we are the best of British," Mr. Roy Watts, the airline's chief executive, said yesterday.

This "simple" decision was important and timely. Timely because new routes were being opened and a new generation of aircraft being received in the next few months. Important because there was a general increase in airline competition and British Airways' mood was becoming more aggressive.

"We wanted a bold, dramatic, but essentially simple way of identifying ourselves as the biggest and best airline in Britain. Something that would emphasise our national identity to millions of passengers around the world and at the same time underline our pre-eminence among the increasing number of airlines operating in Britain," said Mr. Watts.

No estimate could be given of the cost of the change, but it would be comparatively small, said the airline.

Government director for Mersey Docks

By Our Shipping Correspondent

MR. JAMES FITZPATRICK, chief executive, Mersey Docks and Harbour Company, has been appointed a Government director on the company's board. He replaces Mr. Melise Nicolson, who resigned last week after the Government's decision to remove Sir Arthur Peterson from his job as chairman.

Mr. Fitzpatrick, already a director elected by shareholders, has been chief executive since 1977.

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Aid package for areas hit by steel closures

BY ALAN PIKE

THE GOVERNMENT yesterday announced a programme of aid for areas hit by the British Steel Corporation redundancy exercise. It will include £19m to build factories in Consett and Scunthorpe over the next five years.

Sir Keith Joseph, Industry Secretary, told the Commons that Port Talbot would become a special development area and Newport, Cwmbran and Scunthorpe development areas, enabling companies in these districts to qualify for a full range of Government services. The decisions are subject to EEC Commission approval.

The £19m will be given to the English Industrial Estates Corporation to increase building in Consett—where the steelworks is due to close by September—and Scunthorpe.

New measures to assist areas where the steel industry is being run down are to be introduced by the Manpower Services Commission and, said Sir Keith, new factories being built immediately in South Wales would provide space for about 5,000 jobs "over the next few years."

Mr. John Silkin, Opposition industry spokesman, described the new measures as an admission of total failure of the Government's regional policies and demanded Sir Keith's resignation.

Labour MPs and trade union leaders will argue that the measures to stimulate new employment in the steel areas will have far too little impact in comparison with the scale of BSC's rationalisation — 52,000 jobs are being shed as the corporation bring's its productivity capacity down to 15m liquid tonnes per year.

The EEC Commission yesterday announced that it is singing contracts for loans totalling £3.6m to support new investment in steel areas. It is making £2m available to McKellar Watt Ltd. to finance expansion at their Glasgow plant, and £1.6m to Lightning Fasteners Ltd. to expand manufacturing facilities at Peterlee, County Durham, and Cleator Moor, Cumbria. A further £2.4m is being provided to Finance for Industry for use in areas affected by steel and coal redundancies.

British Labour MPs yesterday failed in an attempt to get an urgent debate in the European Parliament about the proposed Consett closure. They said the town would become a "scar on the industrial map of Europe" if the closure went ahead.

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Loan saves 200 jobs

BY RAY PERMAN, SCOTTISH CORRESPONDENT

A GROUP of redundant Glasgow steelworkers will get new jobs making sausages as a result of a low interest loan made available by the European Coal and Steel Community.

A cheque for £2m was handed over yesterday to McKellar Watt, which makes sausages, pies and cooked meats, to help fund a seven-year expansion programme which will create 200 extra jobs in an area hard hit by the closure of the Clyde Iron Works last year.

The company aims to double production and increase exports and, although most of its 600 existing workers are female, it has no worries about the ability of former steelmen to adapt.

The European loan, at a rate of just under 9 per cent, will meet about half the cost of expanding production and freezer capacity.

Since 1978 the European Commission has approved loans for the UK under the coal and steel scheme totalling £180m. Most of this money has gone directly to private companies, creating new jobs in areas of high unemployment.

By the end of this year it is expected that a further £50m in loans will be approved.

In addition to the loan announced yesterday, a further £2.4m was made available for small businesses and will be distributed by Finance for Industry.

Ironic twist to steeltown history

British Steel Corporation plans to close its Consett steelworks, at Durham, at the end of September. ALAN PIKE looks at the impact of closure on Derwentside, poised to accommodate the highest unemployment rate in Britain, and whose entire community is actively fighting closure.

DERWENTSIDE, LIKE many names produced by the last reorganisation of local government, has a somewhat fictional sound about it. Most people could probably only guess at its precise location.

But the hard fact is that if Consett steelworks closes in three months' time, the district of Derwentside—which is in County Durham, not the Lake District—will boast the sad distinction of accommodating what will almost certainly be the highest unemployment rate in Britain.

Measured purely in terms of the numbers involved the problem may not seem insurmountable. Closure of Consett will mean the loss of 3,700 jobs—a trifle in relation to the total of 52,000 which the British Steel Corporation is shedding as it brings its capacity down to 15m liquid tonnes of steel per year.

But for the geographically isolated town of Consett the steelworks and normal existence are totally intertwined. Not only is BSC the biggest employer in the 30,000-population town, it is overwhelmingly the only really substantial one. And 96 per cent of the 3,700 men and women who face redundancy live in Derwentside, 80 per cent of them in the town of Consett itself.

Such is the dominance of the BSC in the area that it will require a 9.2 rate increase to compensate the local authority for revenue which will be lost.

Derwentside already has a male unemployment rate which, at 12.7 per cent, is double the national average. In part of the district the local rate is nearly 17 per cent. Roads out of the district are not particularly good—and they lead to other areas of high unemployment. Prospects of displaced steelworkers being able to commute to alternative work are low.

It is therefore estimated that the Derwentside male unemployment rate will rise to between 30 and 40 per cent if BSC goes ahead with its plan to close the steelworks by the end of September.

This is one obvious reason why the steelworkers, and the entire community, have pledged that they will fight closure. The other is a basic belief that, because Consett has demonstrated that it can make both high quality products and a profit, closure is, by any reasonable criteria, unjustified.

Fights to save condemned BSC plants do not figure among the more successful social crusades of recent years. If precedent is any guide the Consett workers are wasting their time and money, like the campaign committees which have fought and lost battles to save Shelton, Darlaston and other once-famous works.

The leaders of the fight at Consett are in no doubt about the size of the task which faces them but they believe—not surprisingly—that Consett is different.

"History tells us that we haven't got a cat in hell's chance," said Mr. John Lee, secretary of the Consett joint union committee. "But our arguments are different, and some time or other there has got to be a victory."

The campaign committee is preparing a report, with academic assistance, which is intended to refute the arguments advanced by BSC last week when it announced the closure date for Consett.

They will point out that the plant made a profit in the last quarter of 1979. Subsequent perfromance has been distorted by the steel strike but they argue that with closure of Consett's plate-mill and loss of some 1,000 jobs last year, the plant is in a position to be permanently profitable.

Its productivity is outstanding —the Consett workers claim it is slightly better than in the West German steel industry — and its billets are of high quality.

Redundancies last year mean that many of Consett's older men have already left the industry. But the campaign committee hopes that, with a high proportion of younger men among the 3,700 now threatened, they will be less inclined than other steelworkers have proved to accept redundancy payments in an area where there is so little chance of other work.

Some BSC executives would probably find little in the Consett workers' case with which to disagree violently. There is no argument with Consett and its workers. But the corporation, faced with a surplus of billets and the need to rationalise production, stresses that there is no case for retaining the plant.

BSC acknowledges the social consequences of its action and is doing all it can through BSC Industry, its job-creation organisation, to attract new work into the area. But nobody imagines it will be easy.

Closure could hardly come at a more difficult time for Derwentside. In 1951 the area boasted 17,000 mining jobs, but the last remaining pit is due to close next month with 150 redundancies. There are fears that, quite apart from the proposed steelworks closure, between 500 and 600 other jobs in the district are at risk because of the general industrial recession.

Derwentside Council, active in the campaign to save the steelworks, itself has had to make 150 people redundant recently and is employing no new craft apprentices this year.

Leaders of Derwentside Council are awaiting a response from Whitehall on demands for a programme of advanced factory building, road improvements and other measures which they regard as essential if there is to be any hope of mitigating the impact of the closure.

The council is faced with the dilemma of alerting the Government to the severe problems which the closure of the steelworks will cause Derwentside, without painting a picture of an area so depressed that no other employer will ever want to invest there.

There are advantages—quite apart from the surrounding natural beauty of the Vale of Derwent from which the council draws its name. Although communications around Consett are poor—there is only half a mile of dual-carriageway in the entire Derwentside district—there are plans to improve roads in the area and, as Mr. Terry Hodgson, chief executive of the council says, "there is the advantage that you don't get traffic jams."

OPEC head blames inflation on taxes

BY MAURICE SAMUELSON

THE PRESENT world inflation rate is being caused less by the latest oil price rises than by the higher taxes on oil imposed by the industrial countries and by their expansion of oil stockpiles, Dr. Adnan al-Janabi, head of the Organisation of Petroleum Exporting Countries' economics and finance department, said in London yesterday.

Crude oil price changes last year and in the first half of this year contributed to the consumer price indices of industrialised countries by no more than 1 per cent, he told a conference organised by the International Herald Tribune and the Oil Daily on energy in the 1980s.

Consumer governments' taxes on petroleum products or import levies had contributed to domestic inflation by the same amount and in some cases possibly more.

In the same period stockpiling by consumer countries contributed more than OPEC policies to the tightening of supply. Stocks of more than 6bn barrels of oil were held, comparable to the reserves of a middle-sized OPEC country.

Dr. Janabi said in the 1980s an increased proportion of OPEC countries' output would be retained for local consumption and more would be taken by the developing countries, leaving less for the industrialised world.

On the basis of recent growth rates in OPEC countries, their demand for petroleum products by the end of the decade might exceed 6m barrels a day from the present level of less than 2.5m b/d.

Much of the available gas would also be used domestically rather than exported. Assuming an OPEC production level of 30m b/d, only 23 or 24m b/d would be available for exports.

At the same time developing countries, which had recently taken more than a fifth of OPEC's exports, were likely to increase their oil needs by more than 4m b/d in the coming decade.

The combined effect of OPEC countries' domestic needs and the call of other developing countries on OPEC exports might slash oil availability to industrialised countries from OPEC by up to 40 per cent.

Seaspeed takes over as top hovercraft carrier

BY WILLIAM HALL, SHIPPING CORRESPONDENT

SEASPEED, British Rail's hovercraft subsidiary, has overtaken Hoverlloyd, to become the largest hovercraft passenger carrier on the Channel.

Seaspeed, which operates four large hovercraft between Dover and Calais/Boulogne, last year doubled the number of passengers to 1.2m. In the first five months of this year, carryings are 40 per cent up at 416,000.

Hoverlloyd's passenger traffic, which grew steadily since it was established in 1969, fell slightly to 1.26m last year and stagnated at just below 300,000 in the first five months.

Seaspeed has been increasing its market share at the expense of conventional ferry operators, despite the widely advertised price war and a big increase in ferry capacity.

The Dover-based passenger market is up by just over a quarter and Seaspeed's market share has risen to more than 12 per cent.

Ferry travel is often cheaper, but the hovercraft's speed and quality image appears to be the reason for the increase.

To cope with this Seaspeed has opened a new passenger terminal at Boulogne.

It has not met the same success with car traffic. This doubled in 1978, but is marginally down in the opening months of this year.

Nuclear industry urged to be more informative

BY DAVID FISHLOCK, SCIENCE EDITOR

THERE could be no reprieve for the nuclear industry from the nuclear debate, Mr. David Howell, Energy Secretary, warned the industry yesterday. He urged it to redouble efforts to explain itself to the public.

Ministers and public alike demanded rigorous standards of safety and engineering precision, stations built on time and producing electricity more cheaply than other fuels, and complete accountability, said Mr. Howell.

He was speaking at the annual lunch of the British Nuclear Forum, the industry's trade association, in London.

Press and TV coverage tended to be against the industry, which was being judged by standards that were not netirely fair, he said. Many of those who pointed to the risks of the industry were demanding "standards of safety and degrees of proof which they would regard as unthinkable in other industries."

He was convinced "both of the need for an expanded nuclear power programme and of the industry's ability to maintain its remarkable standards of safety." He also claimed that this Government had made more information available to Parliament and the public on civil nuclear power, particularly on its safety, than the last one.

Mr. Howell said he applauded what the industry had done already but stressed the importance of co-operation to the new programme of nuclear construction. The Government attached great importance to a steady build-up of the National Nuclear Corporation, the chosen instrument for reactor design and construction.

Talks on helicopter landing charges

BRISTOW HELICOPTERS, which serves the North Sea oil industry, is withholding payment of about £50,000 from the British Airports Authority because of a dispute over Aberdeen landing charges.

The company refused to pay the money in January to bring negotiations over the level of charges "to a more senior level," Captain Alastair Gordon, Bristow's operations director, said yesterday.

The BAA responded with a telex reminding Bristow of its statutory power to impound aircraft in the event of default on payments and set a deadline. But negotiations have restarted and the threat has not been acted on.

Bristow is the largest helicopter operator using Aberdeen, and has 20 aircraft based there. It carries oil company personnel to and from a number of fields, including the Forties, operated by BP.

Captain Gordon said Bristow believed that charges at Aberdeen airport, the main centre for oil industry flying, had risen far too steeply since the BAA took over in 1975. The rates paid by Bristow had since risen by 1,450 per cent.

The company also believed that the structure of charges unfairly discriminated against helicopters. It said a rebate intended to compensate for the fact that Bristow had built its own passenger terminal was totally inadequate.

Mr. Bill Aitkenhead, manager of Aberdeen airport, said every other user of the airport, including British Airways Helicopters, Bristow's main competitor, had accepted the charges.

"We have been in dispute with Bristow, but we very much hope that now discussions have started the matter will be resolved satisfactorily very soon," he said.

Prudential sets up investment subsidiary

BY CHRISTINE MOIR

THE PRUDENTIAL Assurance Company has set up a subsidiary Prutec, which will generate technological innovations and offer them, together with funding, to British manufacturing companies.

The move, supported by up to £20m, represents a much more aggressive approach to direct investment in British industry than the financial institutions have employed so far.

It has set up in partnership with Patscentre International, a subsidiary of PA International, which advises companies on technical developments and helps carry them out on a fee-paying basis in an international network of laboratories and design units.

Patscentre will provide the management for Prutec, both in assessing and appraising companies' approaches for funds, and in identifying potentially-commercial innovations and persuading companies to develop them, possibly with Prutec funding.

This latter role is seen as the new approach to investment. The Prudential believes Patscentre can identify commercially-sound ideas which are languishing for lack of funds for research and development.

Only a small number will be developed through Patscentre's laboratories. Prutec will be free to recommend development elsewhere, either within companies or in other independent development institutions.

Mr. Ron Artus, the Prudential's joint investment manager, said yesterday he hoped the new approach would prove more successful in attracting companies than the traditional institutional method of earmarking funds for investment and waiting for companies to put proposals forward.

The Prudential had used the traditional approach for some years "but I have to admit that the take-up has been disappointing."

One reason was that companies were frequently starved of capital to develop products or processes to the stage where they could approach institutions.

The Prudential has offered to put forward some £20m of finance to Prutec over four or five years. Based on Patscentre's experience, individual projects are not likely to exceed £200,000.

The commercial "pay-off" for the Prudential could come five or 10 years after the initial investment, when the process or product goes into commercial application.

Job cuts look inevitable in scrap-for-steel industry

BY ALAN PIKE

FALLING prices of steel-making scrap make short-time working and redundancies in the industry almost inevitable, the British Scrap Federation said yesterday.

Prices had dropped from £56 a tonne in spring last year to £34 this month. The federation expected further reductions of between £6 and £9 shortly.

"Due to the high cost of transportation, low scrap prices make the lower-quality material uneconomic to collect," the federation said.

Weaker

Lifting of export restrictions last September helped to increase scrap exports to a record of almost 1m tonnes, worth £56m in the first four months of this year. That compares with 1.34m tonnes worth £75m for the whole of 1979.

The federation says, however, that exports have weakened in more recent months and show no sign of short-term improvement.

Elsewhere in industry, Plessey Hydraulics at Swindon made 100 workers redundant yesterday, a fortnight after putting its 850 employees on a four-day week. The company blames a fall in orders from Ford. Short-time working will continue and will be reviewed weekly, it said.

Ransomes Sims and Jefferies, machinery manufacturer, is to close a Doncaster factory in September and another at March, Cambridgeshire, in December, with the loss of about 170 jobs. The closures, ascribed to the strong pound, high interest rates and difficult trading in farm machinery and trucks, will, it says, lead to more efficient use of its Ipswich factory.

In the north Staffordshire pottery industry, where the recession has cost 3,000 jobs so far, it was disclosed that about 120 workers are to lose their jobs at Johnson Brothers, part of the Wedgwood group, in Stoke on Trent. The company is to cut production at its Milton factory.

Some workers may be offered jobs elsewhere in the group.

Several thousand more pottery workers in the area have been placed on short time.

At Peakridge, Staffordshire, 65 workers are to lose their jobs at Cab-craft, the tractor cab company, closes its two factories to switch production to its main plant near Wolverhampton. Orders have fallen.

Almost 30 workers are to lose their jobs with the closure of the Gola sports shoe factory in Earls Barton, Northamptonshire, next month.

Culmak, which makes shaving brushes, is to close its factory at Woodbridge, Suffolk, in six months, making 33 people redundant. It blames loss of export orders. Exports account for much of the factory's output.

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Building industry orders fall

BY ANDREW TAYLOR

NEW ORDERS for construction work in Britain fell by 1 per cent in the three months to the end of April, compared with the previous quarter. Orders were 9 per cent lower than in the same period last year, according to Department of Environment figures.

Public housing was the worst affected sector. Orders were 11 per cent lower than in the previous quarter and 37 per cent lower than a year ago.

Private housing orders were 1 per cent higher than in the corresponding period last year but 6 per cent lower than in the preceding quarter.

According to the DoE, public sector orders other than housing were running 16 per cent below the level of a year ago but showed a 13 per cent improvement on the previous three months.

Orders for private industrial work were 9 per cent lower than in the preceding quarter and 10 per cent lower than a year ago. Private commercial orders were down 2 per cent and up 19 per cent respectively.

The sharp rise in private commercial orders compared with a year ago is in line with recent forecasts by the Building and Civil Engineering economic development committees. They expected a decline in all main areas of construction activity, except private commercial, over the next 18 months.

The total value of new construction orders was £945m in April, at current prices.

● A scheme by which people can buy part-ownership of their homes has been launched by Hammersmith and Fulham Council and Notting Hill housing trust.

Although equity-sharing schemes for housing are common, this is only the second such venture involving a housing association and a local authority.

Fiat denies Rolls-Royce bribery claim by MP

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

FIAT yesterday denied allegatons made by a Labour MP that its machine tool company was involved in bribery in gaining orders from Rolls-Royce at the expense of a British machine tool company.

The use of Pariamentary privilege by Mr. Jeff Rooker (Perry Barr) to make his allegations was criticised by the Prime Minister. Mrs. Thatcher told the Commons: "I share the total distaste to any suggestion that there should be guilt by accusation in this House under any form of privilege whatsoever.

"Neither the Department of Industry nor the management of Rolls-Royce knew the allegations were going to be made. They are taking it seriously. I think it is better that no further comment is made until the facts are ascertained."

Rolls-Royce said the allegation that one of its employees accepted bribes "are being investigated with the utmost urgency." The employee in question, was understood to be in Miami where Rolls-Royce is planning to set up a small factory.

John Brown, whose subsidiary Webster and Bennett is the company which is alleged by Mr. Rooker, to have lost the orders to Italy, denied certain of his allegations. "In his statement Mr. Rooker is reported to have said, among other things, that he was raising the matter at the request of the company which felt aggrieved and that the chief executive of Webster and Bennett had got himself inside the plant of an Italian competitor where he had heard and seen items relating to Webster and Bennett's business and his company's relations with Rolls-Royce.

"Neither of these statements is true, but having been made both are highly damaging to the reputation of the John Brown group. At no time has either Webster and Bennett or John Brown requested any help from Mr. Rooker and, so far as the company is aware, nor has the matter in question ever been raised with Mr. Rooker by any members of the company's management either formally or informally."

Fiat said that drawings, alleged by Mr. Rooker to be Webster and Bennett's and to have turned up in the Turin factory of its Morando subsidiary, were supplied officially by Rolls-Royce. "They belong to Rolls-Royce and bear their official stamp. They were absolutely essential for the studies which had to be carried out for the realisation of these machines." Fiat added that Morando had supplied similar machines to other major aerospace companies, including Pratt and Whitney and Boeing.

The machines are numerically-controlled vertical turning and boring mills and it is understood that between 14 and 16 have been ordered from Morando, with a value of about [illegible].

Morando's UK agent, Industrial Sales (Machine Tools) of Wilmslow, supplied the machines. The company has supplied Morando machine tools to Rolls-Royce previously, but the order which is the subject of Mr. Rooker's allegations is thought to be the largest it has received for a single customer.

Industrial Sales said: "We were amazed to hear the allegations of bribery made in Parliament. We have no knowledge of any bribery nor have we any reason whatever to believe the allegations. Likewise we have no knowledge of any improper use of documents." The company said it will co-operate with the inquiry being carried out by Rolls-Royce.

Economic indicators give message of hope

BY DAVID MARSH

THE FIRST SIGNS of recovery from the recession which started in the first quarter may emerge in about 12 months' time. That is the tentative message of hope contained in this month's batch of forward-looking economic indicators published yesterday by the Central Statistical Office.

The CSO composite index of longer leading indicators rose slightly in May following a year of successive decline. The index has provided a fairly good guide over the last few years of turning points in the economy about 12 months ahead.

The indication of an upturn by around the second half of next year must be treated as only approximate. Last month's rise was based on only two of the four components of the indicator. Short-term interest rates rose, while shares prices were unchanged. Thus the figure for May could be revised later when the additional components of the index — mainly housing starts — become available.

Appeal court clears two of corruption

THE SCOTTISH Court of Criminal Appeal, Edinburgh, yesterday cleared Tom Moore, former Lord Provost of Dundee, and John Maxwell, a businessman, of corruption charges.

Lord Emslie, Lord Justice General, sitting with Lord Cameron and Lord Kissen, ruled that the jury who convicted them were not entitled to do so, because there was insufficient evidence.

But they rejected the appeal of James L. Stewart, former Dundee bailie, against his conviction and sentence on corruption charges.

Sterling M3 rises by £1.19bn

BY OUR ECONOMICS CORRESPONDENT

STERLING M3, the broadly defined money supply, rose by £1.19bn, or 2.1 per cent, in the month to mid-May, the largest monthly increase for well over a year after seasonal adjustment.

In the first three months of the current target period the annual rate of growth has been 11.9 per cent—although it has been 9 per cent over the last six months, compared with the official target range of 7 to 11 per cent.

The narrowly defined money supply, M1, rose by £114m, or 0.4 per cent, last month for a total rise of 1¼ per cent in the last three months.

Domestic credit expanded by £1.12bn, seasonally adjusted, last month, the largest rise since last November. This principally reflected a very high level of central Government borrowing after the abnormally low level in the first quarter.

Bank lending in sterling to the private sector was £384m the smallest rise since last December though bank acceptances held outside the banking system grew by £290m in May.

External and foreign currency finance was an expansionary influence by £252m. The Bank of England says it seems likely that this largely represented erratic movements rather than a change of trend; for example, a large part may have represented the counterpart of the fall of £200m in bank lending in sterling to overseas.

GROWTH OF MONETARY AGGREGATES (£m)

	MONEY STOCK M1 Unadjusted	MONEY STOCK M1 Seasonally adjusted	MONEY STOCK M1 %	MONEY STOCK STERLING M3 Unadjusted	MONEY STOCK STERLING M3 Seasonally adjusted	MONEY STOCK STERLING M3 %	BANK LENDING* Unadjusted	BANK LENDING* Seasonally adjusted	DOMESTIC CREDIT EXPANSION Unadjusted	DOMESTIC CREDIT EXPANSION Seasonally adjusted
1979										
June 20	− 404	− 295	−1.1	+ 611	+ 461	+0.9	+1,103	+ 843	+1,152	+ 550
July 18	+ 772	+ 596	+2.2	+ 778	+ 449	+0.9	+1,135	+ 475	+ 971	+ 512
August 15	− 13	+ 133	+0.5	+ 284	+ 751	+1.4	+ 146	+ 678	+ 816	+1,201
September 19 ...	+ 34	+ 180	+0.7	+ 320	+ 363	+0.7	+ 122	+ 477	+ 768	+1,005
October 17	+1,107	+ 814	+3.0	+1,212	+1,004	+1.9	+1,353	+1,185	+1,776	+1,657
November 21 ...	− 776	− 419	−1.5	+ 212	+ 547	+1.0	+ 719	+ 698	+ 874	+1,211
December 12 ...	+ 607	− 98	−0.4	+ 456	+ 42	+0.1	− 469	+ 171	+ 409	+ 96
1980										
January 16	− 783	+ 49	+0.2	+ 208	+ 492	+0.9	+2,081	+1,384	+ 468	+ 738
February 20 ...	− 836	− 410	−1.5	− 144	− 274	+0.5	+ 580	+ 502	− 288	+ 272
March 19	+ 497	+ 303	+1.1	+ 14	+ 252	+0.4	− 1	+ 430	+ 235	+ 705
April 16	+ 740	− 103	−0.4	+ 997	+ 172	+0.3	+1,458	+1,527	+1,559	+ 678
May 21	− 319	+ 114	+0.4	+ 937	+1,194	+2.1	+ 495	+ 384	+ 767	+1,122

* To private sector in sterling including Bank of England issue department holdings of commercial bills.

Source: Bank of England

St. Piran ex-chairman resigns from Board

BY REG VAUGHAN

MR. HENRY HODDING, a former chairman of Saint Piran, the controversial Cornish tin mining and property group which is being investigated by the Department of Trade, has resigned from the Board.

Mr. Hodding, who was succeeded as chairman by Mr. Malcolm Stone at the beginning of the year, said yesterday that his decision to leave Saint Piran was "not a sudden one." When he succeeded Mr. Bob Shaw as chairman in January 1979 he saw his job "as a temporary one until a new managing director was appointed but I got caught up in the troubles and had to see it all the way through."

Mr. Hodding, who is also leaving the Board of Saint Piran (Hong Kong), said he wanted to devote his time to mining. A mining engineer, he is chairman of South Crofty, the Saint Piran subsidiary, and on the Board of five other mining companies. He had been on the Saint Piran Board for six years.

The Stock Exchange, in one of its strongest pronouncements, last week forbade any of its members to deal in any business for Mr. Jim Raper, also a former St. Piran chairman, who is at the centre of the share ownership controversy surrounding the group. The Stock Exchange also extended the suspension on the company's share listing indefinitely.

The shares are to remain suspended until Gasco Investments, Mr. Raper's master company which is alleged to have built up a 37 per cent stake in St. Piran, meets one of three conditions: that it does not use its voting power; makes a bid; or disposes of a large part of its holding. Alternatively the present St. Piran board must vote itself out of office.

St. Piran said yesterday that it had noted the Stock Exchange's position and had considered all the proposals. It considered the replacement of the group's board to be "inappropriate." Gasco was still "looking and hoping" to make a bid for St. Piran as requested.

National Heritage Fund buys Kedleston furniture

THE National Heritage Fund, set up in May this year with £12.4m to acquire works of art for the nation, has made its first purchases at auction. It bought furniture at Christie's yesterday which had been sent for sale by the Trustees of the Kedleston Estate, the Derbyshire home of the late Lord Curzon.

SALEROOM

BY ANTONY THORNCROFT

There have been fears that the treasures at Kedleston will be dispersed, but the eight lots sold yesterday were not among the most important items in the house.

Even so, the prices realised were higher than forecast. The fund paid £75,000, plus 11.5 per cent in buyer's premium and VAT, for an Indian polychrome ivory veneered sofa of about 1830, as against a £10,000-£15,000 pre-sale estimate, and also invested £26,000 in a pair of Indian polychrome ivory veneered throne chairs of the same period. All told, the lots from Kedleston were sold for £189,000. The sofa and throne chairs bought by the fund will go on display at the Victoria and Albert Museum.

Two leading London dealers, Malletts and Partridge, acting in concert, paid £65,000 for a George III mahogany library table by Chippendale, made in about 1772, while another item from Kedleston, a pair of Queen Anne giltwood and verre eglomise pier glasses, realised £38,000.

A pair of Indian ivory veneered chairs of about 1830, from Kedleston again, went for £22,000, while R. A. Lee, the London dealer, gave £21,000 for a George II burr walnut breakfront bookcase also from the house.

Other high prices in a sale of English furniture which totalled £628,588, with just 7 per cent bought in, were the £22,000 from Blairman for a George III giltwood overmantel and the same sum paid for eight George I black and gold lacquer chairs.

The 11 mahogany dining chairs of George III design which Christie's had used in its boardroom for the last ten years, were sold for £2,800.

N. Sea planners keep an eye on the weather

SUE CAMERON reports on the problems facing the most ambitious gas gathering system yet, which the Government hopes will be on stream as early as 1984, bringing ashore £1.5bn worth of gas and natural gas liquids a year.

THE GOVERNMENT'S approval for a £1.085bn gas gathering system marks the start of the most ambitious pipeline project in the North Sea.

The 36-inch diameter line will run from the Statfjord field in the north via Phillips' Thelma field in the so-called T Block to St. Fergus on the Scottish coast—a distance of 343 miles. Its southern leg will cover the 147 miles from T Block to the Fulmar field in the south.

When it is operating at full strength, the pipeline will be able to land £1.5bn worth of gas and natural gas liquids each year at St. Fergus.

It will be capable of carrying gas from the Norwegian sector of the Statfjord field. Only the risk of technical difficulties has prevented it being extended to take in gas from Norway's Heimdal field.

Mr. David Howell, the Energy Secretary, said in the Commons Yesterday the Government wanted the pipeline to be built "as quickly as possible" with the aim of bringing gas ashore as early as 1984 or 1985. On timing at least, the planners may be being over ambitious.

The feasibility study carried out by the British Gas Corporation and Mobil which was released yesterday says the pipeline could be completed in four and a half years. But this assumes fair weather in the North Sea and a smooth passage for the various financial, political, oil industry and chemical industry interests that will be involved in constructing the line and paying for it.

The feasibility study also assumed that a project management team would have been functioning by April this year and that the organisation to build the line would have been set up with adequate finance. The organisation is far from ready.

Mr. Howell has invited British Gas, Mobil, British Petroleum and a financial adviser to form an organising committee to be chaired by Sir Denis Rooke, chairman of British Gas "to develop proposals for how a pipeline organisation could be best structured and financed."

The inclusion of BP on the committee will cause raised eyebrows—particularly in view of the antagonism of BP and other UK-based chemical companies to U.S.-based Dow Chemical's plans for an ethylene plant at Nigg Bay in Cromarty, which would use gas from the pipeline as a raw material.

There is speculation that BP may have been included on the committee at the insistence of the Treasury, which is known to be anxious that the entire pipeline scheme should have minimal implications for the public sector borrowing requirement. Nonetheless, the inclusion of BP raises the possibility of some major battles before the final arrangements for the scheme are decided.

British Gas will be given a 30 per cent interest in the pipeline, with probably around 25 per cent being taken by gas producers, and the rest going to users and financial institutions. Norwegian interests could also be included.

Mr. Howell said he thought the pipeline company should be financed substantially by loans from the markets without Government guarantees.

The gas that will be brought ashore by the new pipeline will be processed to take out most of the ethane, propane, butane and natural petroleum. The remainder — chiefly methane — will be treated to meet the specifications for the British Gas transmission system, where it will be used for power and heating.

The other natural gas liquids will then go to the lene plant at Nigg. Ethylene is the so-called building block of the chemical industry used in making a wide range of items from plastics to solvents. But the study says other options should be kept open.

The feasibility study assumes 80 per cent of the ethane gas, 98 per cent of the propane and 100 per cent of the heavier gas liquids will be available for feedstock use. It says a typical breakdown of the natural gas liquids by weight might be: 39 per cent ethane, 37 per cent propane, 16 per cent butane and 8 per cent natural petroleum.

The study looked at four possible offshore gas gathering systems:

land to Nigg Bay, where they will be divided into their component streams, or "transported to suitable locations." If they are piped to Nigg, they will either be shipped abroad or to other parts of the UK, or used as petrochemical feedstocks.

The feasibility study suggests that its authors favour an ethy-

● The Beryl field Andrew in the south with an estimated cost of £524m.

● A system capable of collecting all firm gas reserves likely to be available in the UK sector of the North Sea during the 1980s but not covered by any existing pipelines.

● A line able to collect firm UK gas reserves and Norwegian Statfjord gas—the system that has now been recommended and accepted by the Government;

● A system that would cover firm UK gas, Norwegian Statfjord gas and Norwegian Heimdal gas at an estimated cost of £1,178m.

The UK Government is interested in buying Norwegian Statfjord gas but there is a limit to the price it is prepared to pay. The existence of a pipeline capable of carrying Norwegian Statfjord gas is bound to be a factor in any future negotiations over pricing.

The biggest system of all, which would have included Heimdal, was turned down — somewhat unwillingly it appears — because it would have required a 40-inch diameter pipeline.

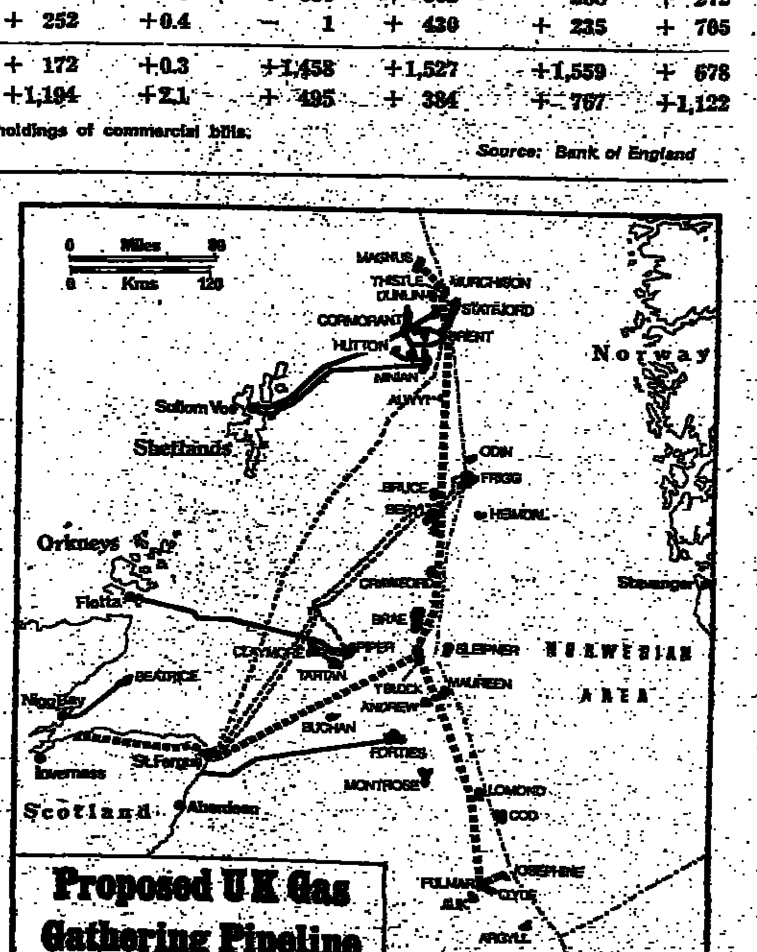
This would have been bigger than any yet used in the North Sea and it could well have caused technical problems. Even if all had gone smoothly, the fact that a 40-inch line had not been used before would almost certainly have delayed completion.

The feasibility study says reserves of firm UK gas from fields known or expected to be on stream by the second half of the 1980s could amount to around 5 trillion (million million) cubic feet. Other UK fields likely to start production in the 1990s are expected to provide a further 7 trillion cubic feet of reserves and if gas from Norway's Statfjord, Heimdal and Sleipner fields is included, total reserves may reach 20 trillion cubic feet.

Total recoverable reserves of natural gas liquids are estimated at around 42m tonnes in firm UK fields in the 1980s and at over 93m tonnes by the 1990s. If liquids from the three Norwegian fields are added, total reserves could be as high as 146m tonnes.

The scheme will offer considerable opportunities for British contractors and manufacturers, notably the steel manufacturers. But Mr. Hamish Gray, Minister of State at the Department of Energy, said UK contractors would face "some stiff competition" when it came to winning orders. He also referred to Common Market regulations on free competition.

Mr. Gray rejected suggestions that the pipeline would be built and run for the benefit of producers such as BP, Mobil and British Gas—the members of the organising committee.



Proposed UK Gas Gathering Pipeline

Aid to steel regions 'no U-turn'

BY IVOR OWEN

CHANGES IN regional aid provision planned by the Government to help the areas hardest hit by steel plant closure do not constitute a "U-turn," Sir Keith Joseph, the Industry Secretary, assured Tory MPs in the Commons yesterday.

The package of remedial measures which he unveiled was denounced as inadequate by Labour MPs who, led by Mr. John Silkin, Opposition Industry spokesman, repeatedly demanded Sir Keith's resignation.

While expressing their anxiety in less strident tones, some Tory backbenchers also made it clear that they believed more needed to be done to mitigate the unemployment arising from the contraction of the steel industry in South Wales and North-east England.

Labour pleas for a reprieve for the British Steel Corporation's plant at Consett, in Co. Durham—"the town will be devastated," warned Dr. John Cunningham (L., Whitehaven)—were supported by Mr. Kenneth Lewis (C., Rutland and Stamford).

After congratulating Sir Keith for executing "at least a S-bend" in regional policy, he underlined his fear that Consett might be so hard-hit by unemployment that it could become the 1980s' equivalent of Jarrow.

Mr. Lewis urged that the Consett steel works should either be kept in operation until new industry was established in the area or sold off to the private sector by BSC.

Offers

Sir Keith confirmed that BSC would be prepared to consider offers for the Consett plant from the private sector.

But it did not want to keep the plant in production itself because it did not need the steel which it produced.

Mr. Silkin accused Sir Keith of coming forward with remedial measures to relieve a problem which the Government had itself created.

To Labour cheers, he insisted: "They do not affect the heart of the matter which is the decline in manufacturing industry and steel production which has now accelerated to crisis proportions."

Mr. Silkin argued that the creation of the new economically assisted areas announced by Sir Keith showed that the reduction in the number of such areas imposed by the Government last year had been a mistake.

Sir Keith replied that the fact was that successive governments had been proved, in the event, to have allowed the nationalised steel industry to over-expand.

This fact had come to be recognised by the Labour Government before it left office, but the present Government was now having to face up to deferred decisions which should have been taken by its predecessor.

Defending the changes in regional policy which he introduced last year, Sir Keith contended: "It is because we have pruned the number of assisted areas that the announcement of a few additional areas now provides practical concentrated help which will be of most use to the areas in need."

Despite pressure from Labour Labour MPs, Sir Keith refused to estimate the number of new jobs likely to arise from the measures he had announced.

It was impossible to give a precise figure, he said.

But the Minister said it was expected that space for 5,000 new jobs would be provided by factory development which had either started or was in prospect in South Wales.

Accommodation for a further 15,000 to 20,000 was likely to be available in South Wales as a result of land development schemes.

Unemployment

Sir Keith estimated that male unemployment in Consett, when the steel works closed, would rise to 25 per cent—"well below" a 50 per cent estimate made by Mr. Silkin.

Mr. David Crouch (C., Canterbury) urged that the new factories resulting from the aid being provided by the Government should be geared to male employment and not to the production of cosmetics and womens' underwear.

Sir Keith replied: "I am not sure I agree with that. Factories which produce what customers buy, at home and abroad, are needed in all these areas."

Labour 'could wreck electoral chances'

By Richard Evans, Lobby Editor

MR. JAMES CALLAGHAN warned Labour MPs last night that the Party had to conclude its internal squabbling by this autumn or face the prospect of wrecking its electoral prospects.

He said the Labour movement had to provide an effective fighting force within a matter of months if it wished to become an effective alternative government.

His warning follows an increasingly strident internal row over the party's constitution, with both Left and Right threatening to continue the fight on the key issues of the drafting of hte manifesto, the election of the leader and the reselection of MPs until their opponents are defeated.

The Opposition leader was presenting to the Parliamentary Labour Party his report on the controversial decisions reached last weekend by the Commission of Inquiry.

The recommendations have been criticised by both wings of the party but this conflict did ont surface last night. A special meeting of the PLP is to be held on Monday week to allow MPs to discuss the Commission's findings.

The Left-dominated National Executive Committee is to meet next Monday but it is probable that the further special meeting will have to be arranged later this month before the Executive can complete its consideration of the Commission findings and plan tactics for the Party Conference in October.

There was some criticism from Right-wing MPs, particularly Mr. Ian Wrigglesworth, MP for Thornaby, that Labour MPs were being asked to comment on decisions after they had been taken rather than before the die was cast. But, in general, the mood of the meeting was calm and low-key.

In a speech at Westminster to Labour Party members last night, Mr. William Rodgers, Opposition Defence spokesman, urged the party to maintain its current stance on defence and not switch towards unilateralism.

"It should be plainly said that the Labour Party supports Britain's membership of NATO and rejects withdrawal . . . and we are in favour of multilateral disarmament in both the nuclear and conventional fields, and reject unilateral nuclear disarmament."

His comments, in advance of next Sunday's Labour Party Defence Rally, included a warning to beware of the "strange army of bedfellows" who had climbed on to the rally bandwaggon.

He said it would be very damaging if as a result the public became confused about what the Labour Party really stood for.

Wage costs 'must come down'

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

FURTHER CALLS for wage restraint, particularly in the private sector, were made by the Prime Minister in the Commons yesterday when she faced demands from both sides of the House for an early reduction in interest rates.

"I accept that interest rates are very high," she said. "They will come down when a combination of Government borrowing and borrowing by the manufacturing sector falls jointly below what it is now."

She was replying to Mr. Nicholas Winterton (C., Macclesfield) who suggested she should meet the Federation of Commerce and Industry and other representatives of small business.

He said that the very high level of interest rates was discriminating against manufacturing industry and in favour of the financial institutions.

"Would you therefore give some assurance that in the very near future interest rates will come down?" he asked.

Although agreeing with the Government's overall economic strategy, he thought that at their present level, interest rates were very damaging.

Mrs. Thatcher said that one of the reasons why manufacturing industry was borrowing so heavily from the banks was because very large wage increases had been paid. This put up costs and, to some extent, priced goods out of the market.

"One of the most serious things for this country is to get wage costs down," she emphasised.

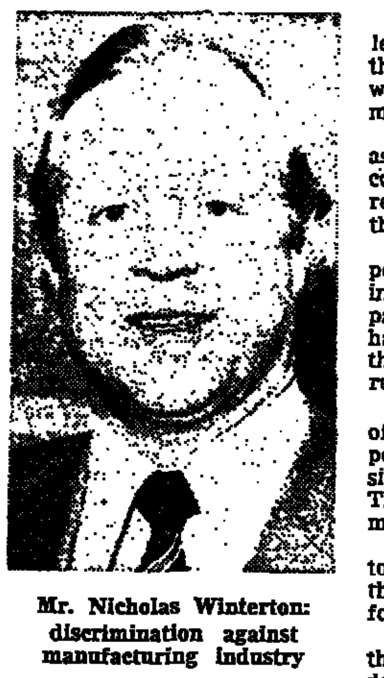
Mr. James Callaghan, leader of the Opposition, reminded her that this week's quarterly report from the Bank of England showed that companies were paying 30 per cent of their gross income in bank interest — a figure which he found "almost incredible."

The money supply figures just published gave no prospect of a reduction in interest rates. Therefore, he wanted to know what hope Mrs. Thatcher offered to manufacturing industry.

But the Prime Minister reminded him that the main theme of the Bank's bulletin had been that future wage awards must be below the level of the retail price index.

The bank was the first to recognise the importance of making British industry more competitive.

This meant not having such big wage increases unless they were matched by productivity increases.



Mr. Nicholas Winterton: discrimination against manufacturing industry

"If these companies borrowed less to pay wage increases which they cannot afford, then they would pay less interest," she maintained.

Mr. Peter Viggers (C Gosport) asked if she had noted that company profits had fallen in real terms by 60 per cent over the last 10 years.

Mrs. Thatcher told him: "The position about company profit is indeed serious and we are a party that knows that unless you have higher company profits, there will not be sufficient resources for investment."

Money had been drained out of the corporate sector into the personal sector by very considerable wage settlements. These would have to be moderated.

The firms in the private sector were coming hard up against their own cash limits in the form of price discipline.

Much of the workforce knew that there was no point in demanding vastly increased wages if at the end of the day they were going to have no jobs. She had had some reports of firms going out of business because they could not afford to meet the very large wage claims that were being made.

Heseltine admits staff cuts failure

BY ROBIN PAULEY

THE CAMPAIGN on local authority staff cuts by Mr. Michael Heseltine, Environment Secretary, has been almost a complete failure it emerged yesterday. Staff totals in England and Wales fell by only 0.6 per cent in the year to March.

The fall represents 12,285 jobs, and brings the number of people employed to 1,915,064, excluding police services, which the Government wants to strengthen, and agency staff.

The total number of people employed, including those catagories, fell by 7,252, or 0.3 per cent to 2,086,593.

"On a total manpower figure of about 2m this is not good enough. The reductions did not begin quickly enough and the majority of authorities must now catch up to copy the example of the minority," Mr. Heseltine said yesterday.

Only about a quarter of councils are following the Government's request fo rcuts, he said, and although the rate of cuts was now equal to the largest ever achieved in 1976-77, the situation was wholly unsatisfactory.

Wages and salaries represent about 70 per cent of local authority non-capital spending. Large numbers of councils had not changed their manpower or employment practices. If there were no change soon the Government would consider the weapons available including a moratorium on capital projects, a reduction in the rate support grant increase order, which compensates councils retrospectively for unforeseen expenditure, and manipulating the percentage of local government spending which the Government will fund next year.

The employment figures were broken down to show movement in each local authority. But the statistical value of these figures is seriously undermined because the full-time and part-time numbers have not been translated into full-time equivalents.

"I agree that this would be very desirable but the local authorities refused to cooperate. We shall be able to insist on this once the Local Government Bill is on the statute books,

He denied that the scientific base of the statistics made it impossible to judge each authority's efficiency. He agreed, however, that so many statistically relevant factors were not detailed that only broad indications of any individual authority's manpower costs could be gleaned from the figures.

First big naval order for more than a year

BY OUR SHIPPING CORRESPONDENT

THE GOVERNMENT has ordered four mine countermeasures vessels (MCMVs) for the Royal Navy worth more than £100m.

This is the first major naval order for over a year and will bring valuable work to Britain's hardpressed shipbuilding industry, which has become increasingly worried recently by the absence of promised public sector orders.

Mr Keith Speed, the Parliamentary Under Secretary of State for the Royal Navy, announced the order at the start of the Navy debate in the Commons yesterday. ...

The four Hunt class MCMVs will be built at Vosper Thorneycroft's yard on the Solent.

The vessels will be equipped with Paxman diesel engines and will have glass reinforced plastic hulls with a low magnetic signature. The first of this new class of vessel, HMS Brecon, entered service last December and the Royal Navy will eventually have a fleet of nine ships. Yarrow Shipbuilders on the Clyde is also building this type of ship.

Since May, 1979, the Royal Navy has only ordered one seabed operations vessel and a Trafalgar class submarine, and the naval orderbook has been orderbook has been declining. At the end of March there were 41 naval ships worth £1.7bn on order.

The value of British Shipbuilders naval orderbook is more than three times as big as its merchant shipbuilding orderbook and the absence of new naval orders has been worrying the nationalised shipyards.

The Ministry of Defence also announced recently that negotiations were taking place for the purchase of two offshore patrol vessels. A number of naval refitting contracts are understood to be under discussion.

Micro electronics aid benefits South-East

By Robin Reeves, Welsh Correspondent

MORE THAN half the companies receiving Government aid to apply micro-electronics to their manufacturing are located in South East England, according to figures released by the Industry Department.

The Micro-processor Application Project (MAP), introduced in July 1978, has committed £12m towards projects valued at £47m involving the application of micro-electronics to products and production processes. Besides offering up to 25 per cent grant aid towards specific micro-processor applications, MAP also makes grants available towards feasibility studies, engineering training and "awareness" seminars and conferences.

But statistics supplied to Mr. Dafydd Wigley, Plaid Cymru MP for Caernarvon, show that of the 271 applications for grant approved under MAP, 164 are located in South East England. The next highest number is the South West which has only 23 approved cases, followed by the West Midlands (18), the East Midlands (17), the North West (16), and Yorkshire and Humberside (16).

Wales is bottom of the list with only three approved applications. Mr. Wigley has written to Sir Keith Joseph, the Industry Secretary, asking for his comments on the unequal distribution of MAP aid, adding that South East England is a least in need of industrial regeneration.

The Industry Department says that as a result of MAP support, the number of training places for engineers at UK educational establishments has risen from 2,500 in 1978 to 31,000 in 1980. Almost 1,500 manufacturing companies have undertaken feasibility studies and more than 120,000 delegates have attended micro-processor application seminars and conferences.

Next week in Parliament

COMMONS

Monday: Debate on the Royal Air Force. Debate on EEC document on Industrial Accident Hazards.

Tuesday: Remaining stages of the Broadcasting Bill.

Wednesday: Debate on unemployment among young people. Lords amendments to the Transport Bill.

Thursday: Debate on the Army. Financial Assistance (Offshore Supplies Grants) Scheme and the Petroleum (Production) (Amendment) Regulations.

Friday: Debate on Disbandment of Regional Orchestras, and afterwards on pay and working conditions of employees of British companies in South Africa.

LORDS

Monday: Magistrates Courts Bill Committee. Licensing Bill, third reading. Health Services Bill, second reading. New Towns Bill, second reading. Short debate on "Green Giant" development opposite Tate Gallery.

Tuesday: Tenants' Rights (Scotland) Bill, second reading. Short debate on conditions and time prisoners on remand remain untried.

Wednesday: Highways Bill Committee. Films Bill, second reading. Gas Bill Committee. Trees (Replanting and Replacement) Bill. Coroners Bill, committee. Insurance Transfer of General Business Regulations. National Radiological Protection Board (Constitution Amendment) Order. Short debate on oil spills in the North Sea.

Thursday: Sea Fish Industry Bill, third reading. Housing Bill Committee. Pier and Harbour Order (Brighton West Pier) Confirmation Bill, second reading.

Police concern over offenders on bail

BY JAMES McDONALD

POLICE CONCERN over the relative ease with which professional criminals can obtain bail under the 1976 Bail Act and, while on bail, commit further crimes, is backed by statistics in the annual report to the Home Secretary of Sir David McNee, the Metropolitan Poice Commissioner, pubished yesterday.

The report shows that, of 1,678 persons arrested in London ast year for robbery, 378 peope—or 23 per cent—were found to be on bail at the time of the arrest. Of these, nearly 90 per cent had been granted bail for a serious offence and 30 per cent had two or more cases outstanding against them.

Also, the report discloses, applications for bail from 96 persons arrested for robbery—committed while on bail for some previous offence—were subsequently granted bail again despite police objections.

Sir David says in his report that the research which had been carried out "has not eased my initial concern. There are grounds for believing that the Bail Act 1976 goes too far and provides insufficient safeguards for the public from the activities of professional criminals."

Sir David adds: "For police officers, making arrests for serious crimes is difficult and often dangerous. Where, because of the granting of bail the task has to be undertaken for a second time, it is dispiriting."

On the Special Patrol Group the report says its officers made 2,284 arrests for crime and 1,385 other arrests last year. Included in their arrests were 84 people for alleged involvement in organised crime and the recovery of over £1½m of property.

On traffic, the report warns that if the traffic warden manpower continues to deteriorate and the growth in the volume of traffic continues "the 1980's could see the metropolis in very real danger of grinding to a halt."

"Report of the Commissioner of Police of the Metropolic for the year 1979," SO, £4.50.

Rail shopmen accept 20% pay increase

BY PHILIP BASSETT, LABOUR STAFF

BRITISH RAIL has secured union acceptance of a pay deal for its 50,000 engineering and maintenance workers which will give overall increases worth 20 per cent.

The deal is a further instance of a public sector group settling at around the 20 per cent mark, despite repeated Ministers' urgings that public sector pay awards must be moderated.

The agreement, which will be backdated to May 4, is the third large recent settlement in the railway industry, following similar-sized awards for 180,000 main-line British Rail workers and London Transport's 23,000 Tube workers.

The executive of the National Union of Railwaymen, the largest rail union, is today likely to approve a further 20 per cent deal for British Rail's hotel staff.

The workshop staff's deal will place further pressure on BR, following the main line deal, for a fare increase in the autumn.

The NUR executive had accepted the deal but a settlement was delayed because the Confederation of Shipbuilding and Engineering Unions, which also negotiates for the shopmen, was less happy with it and wanted to consult its members.

But the deal has now been agreed, and unions hope that it will help to ease any shortages of skilled staff which have delayed services.

The agreement, which preserves the group's settlement date of April 21, includes a commitment to reduce the working week by one hour to 39 hours from November next year, in line with the main BR deal.

The package will take the basic rate for a Grade 4 skilled worker to £80, for a grade 3 semi-skilled worker to £73.45, for grade 2 to £69.55 and for the unskilled grade 1 to £65.50. The agreement also includes the setting of a minimum earnigs level, though, of £66.60.

Shopmen also receive bonuses geared to performance on top of their basic, though the NUR has been keen to see the proportion of the bonuses reduced to allow larger basic rate improvements. Last year the bonus rate was cut from 45 to 37.3 per cent of basic rate, and under this deal it has been cut again to 28 per cent.

This will give maximum bonuses of £22.40, £20.57, £19.47 and £18.34 to the four grades respectively, to give overall possible maximum earnings of £102.40, £94.02, £89.02 and £83.84.

The package also includes improvements in holidays, general and London weighting allowances.

More talks to avert strike by laggers

BY JOHN LLOYD, LABOUR CORRESPONDENT

TALKS continued last night between the General and Municipal Workers Union and the Central Electricity Generating Board in an attempt to avert a strike by insulation engineers, or lagger, in CEGB construction sites and power stations, due to begin next Monday.

The threatened strike has already been put off by one week to allow talks on the Isle of Grain construction site between the union, the TUC and the CEGB.

Progress has been made by the TUC in bringing together the GMWU and the other craft unions on agreeing that all skilled workers on the site, including the laggers, should conform to a maximum hourly rate of £4.60. However, the laggers formerly employed at Grain have so far refused to accept the formula.

The laggers say they will return to work on a basic wage of £84 a week, but insist on negotiating bonuses according to the terms of the national agreement between the GMWU and the insulation contractors, which allow for high, open ended bonuses.

The CEGB wants common rates to be agreed before a return to work, and has said that it wants the laggers to work for the mechanical contractors—GEC and Babcock Power—rather than insulation engineers.

At present, replacement laggers, members of unions other than the GMWU, are doing insulation work at Grain and are employed by the mechanical contractors.

The board has not been prepared to move from its position in the course of the talks, and scope for further compromise from the union side now appears to be limited.

Mr. Malcolm Collar, a shop steward of the GMWU laggers who had been employed at Grain, said last night there would be widespread support for strike action next week if a resolution could not be found.

New booklet on footpaths

A SEVEN-POINT rights of way charter is the central feature of a new policy booklet on public footpaths, published yesterday by the 31,000-member Ramblers' Association. The booklet coincides with national Footpath Heritage Week, which runs until June 22.

During the week, hundreds of events will be taking place as part of a national campaign to draw attention to walking and the threats facing the 120,000 miles of footpaths

Arbitration in banks salaries dispute

A WAGE settlement for maintenance staff in the English clearing banks is being referred to arbitration following the failure to agree in negotiations with the Banking, Insurance and Finance Union and the Barclays Group Staff Association.

The banks' last offer, part of which had been accepted by the staff bodies, involved new rates of £4,700 for skilled workers, £4,230 for unskilled and £3,500 for unskilled together with a £100 lump sum payment.

Music letter

THE MUSICIANS' Union, now in the third week of its strike against the BBC over plans to cut five orchestras, sent an open letter yesterday to the meeting of the Board of governors, saying that it should not underestimate the union's resolve.

COHSE verdict

DELEGATES at the annual conference of the Confederation of Health Service Employees in Blackpool yesterday voted unanimously against making any further representations to the Clegg Commission over its awards to nurses and hospital ancillary staff.

Products blacked

DOCKERS and transport workers are to be asked not to handle products of MFI Furniture, where members of the Transport and Geneal Workers' Union are in dispute about union recognition. London and Home Counties members of the union are being asked not to shop at MFI.

Strike continues

STRIKING electricians at the Metro-Cammell company in Birmingham yesterday decided to continue industrial action without the backing of their union, the EEPTU. The company laid-off its workforce last week as a result of a dispute over bonus payments.

Call for new protests

THE TUC General Council was urged yesterday to mobilise trade unions into more industrial action in protest against the Government's policy of public spending cuts.
55,000-strong National Society of
The call came from the Operative Printers, Graphical and Media Personnel (NATSOPA) at the biennial meeting of its governing council in Southport.

Delegates carried overwhelmingly, on executive advice, a militant motion urging TUC activity, including days of leaders to organise "regular action, and the mobilisation of the Labour movement in support of trade unions' taking industrial action against the cuts."

Commenting later on the turnout for the TUC's day of action on May 14, Mr. Owen O'Brien, Natsopa's general secretary, said: "It will take a few months for some of the things the Tory Government is doing to percolate through to many trade unionists—particularly the Employment Bill—and we believe that, when this happens, the reaction of workers in the future will be much stronger than it was on May 14."

Benn warning on jobless trend

BY OUR LABOUR STAFF

THE Government was determined to break the power of the trade unions by legislating away their basic rights and encouraging rising unemployment, Mr. Anthony Wedgwood Benn said yesterday.

He said that Britain, like the rest of the Western world, was heading for the deepest slump since the 1930s, and the Government had decided that working people would pay for the crisis.

Speaking to the annual conference of the Furniture, Timber and Allied Trades in Bournemouth, Mr. Benn said unemployment in the 1930s had been solved by arms expenditure.

But if society attempted to use the same methods again it would mean the end of humanity. Restoration of full employment without recourse to rearmament and nuclear was was the challenge of the generation, he said.

"I believe the time has come when all people of good will should say clearly "no" to these policies which might lead humanity to the brink of desrucion and he end of he human race as we know I."

Mr. Benn said it was wrong to spend £5bn on a new generation of Polaris missiles while cutting expenditure on housing, education and the health service.

"It is quite wrong that we should be allowing Cruise missiles to be put on airfields in this country not under the control of our elected Government."

Warning over new technology 'mask'

BY JOHN LLOYD, LABOUR CORRESPONDENT

PROBLEMS CAUSED by introduction of new technology will be minor compared to the effect of Government policies on the economy and employment, the draughtsmens' union AUEW TASS claimed in a guide for negotiators published yesterday.

The guide says the present business climate demonstrates "the worst possible conditions" for the encouragement of industrial innovation.

"The introduction of new technology should not be allowed to mask these weaknesses in the economy and confuse mass unemployment with unemployment resulting from the use of labour-saving devices," the union says.

The union advises negotiators that the first priority must be the job protection, to be achieved "by persuading management to expand output and maintain manning levels."

The guide recommends that the benefits of technical change should be spread throughout the workforce; the objective of shorter working hours should be pursued to create more leisure time and more jobs; and staff should be retrained on a continuous basis.

It is recommended that negotiators should seek "positive discrimination" for women in training and retraining, and that full consideration be given to health and safety dangers, especially for those working on visual display units.

Journalists oppose cuts

BY OUR LABOUR STAFF

GOVERNMENT information officers were yesterday promised support from the National Union of Journalists in defending their jobs against Government spending cuts.

Mr. Francis Beckett, NUJ president, yesterday told a chapel (office branch) meeting at the Central Office of Information, that a major task of the COI was to help middle range companies which could not afford their own publicity staff.

"As well as threatening the free flow of information, the Government intends to cut a vital service to industry," he said.

He urged information staff "not to surrender their jobs quietly."

● The Institute of Journalists will decide next Friday whether to apply to the Court of Human Rights in Strasbourg for backing for a former member employed by ATV Midlands.

The IOJ claims that Mr. John Boileau, was "forced" to join the National Union of Journalists to keep his job.

BUSINESSES FOR SALE

HOTELS AND LICENSED PREMISES

BUSINESSES WANTED

LEGAL NOTICES

No. 001770 of 1980
In the HIGH COURT OF JUSTICE Chancery Division. In the Matter of SUN VALLEY POULTRY LIMITED and in the Matter of The Companies Act 1948.

NOTICE IS HEREBY GIVEN that a Petition was on the 2nd June, 1980 presented to Her Majesty's High Court of Justice for (a) the sanctioning of a Scheme of Arrangement and (b) the confirmation of the reduction of the Capital of the above-named Company from £400,000 to £61,136 by cancelling and extinguishing all the 188,257 "A" Ordinary Shares of £1 each and 150,607 "B" Ordinary Shares of £1 each of the said Company. The amount by which the capital of the Company is proposed to be reduced is to be applied in paying up in full further Shares of the said Company to a like amount in accordance with the terms of the said Scheme of Arrangement.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Vinelott at the Royal Courts of Justice, Strand, London, WC2 on Monday the 30th day of June, 1980.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Capital should appear at the time of hearing in person or by Counsel for that purpose. A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 18th day of June 1980.
RYLAND, MARTINEAU & CO.,
41, Church Street,
Birmingham B3 2DY.
Solicitors for the said Company.

PUBLIC NOTICES

METROPOLITAN BOROUGH OF CALDERDALE
£1,400,000 Bills issued on 18th June 1980 due 17th September 1980, at 15⅜%. Total applications £7,800,000. Bills outstanding £2,800,000.

CITY OF BRADFORD METROPOLITAN COUNCIL
Bills amounting to £3,250,000 were issued on 18 June 1980 for maturity on 17 September 1980, all were issued at the minimum rate of 15⅜%. Applications total £26,750,000. Bills outstanding total £6,500,000.

COMPANY NOTICES

De Beers Consolidated Mines Limited
Incorporated in the Republic of South Africa

NOTICE TO HOLDERS OF PREFERENCE SHARE WARRANTS TO BEARER

PAYMENT OF COUPON NO. 142

With reference to the notice of declaration of dividend advertised in the Press on 28th May, 1980, the following information is published for holders of Share Warrants to Bearer.

The dividend of one rand (R1.00) per share was declared in South African currency. South African non-resident shareholders' tax at 9.97 cents per share will be deducted from the dividend payable in respect of all share warrant coupons, leaving a net dividend of 90.03 cents per share.

The dividend on bearer shares will be paid on or after 1st August, 1980 against surrender of coupon No. 142 detached from share warrants to bearer as under:

(a) At the office of the following continental paying agents:

Banque Rothschild, 21 Rue Laffitte, Paris 75009.

Banque Bruxelles Lambert, 2 rue de la Regence, 1000 Brussels.

Société Generale de Banque, 3 Montagne du Parc, 1000 Brussels.

Credit Suisse, Paradeplatz 8, Zurich.

Union Bank of Switzerland, Bahnhofstrasse 45, Zurich.

Swiss Bank Corporation, 1 Aeschenvorstadt, Basle 4002.

Banque Internationale à Luxembourg, 2 Boulevard Royal, Luxembourg.

Payments in respect of coupons lodged at the office of a Continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the Continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the Continental paying agent concerned.

(b) At the London Bearer Reception Office of Charter Consolidated Limited, 40 Holborn Viaduct, London EC1P 1AJ. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:

(i) in respect of coupons lodged prior to 18th July, 1980, at the United Kingdom currency equivalent of the rand currency value of their dividend on 22nd July 1980 or;

(ii) in respect of coupons lodged during the period 18th July 1980 to 23rd July, 1980, both days inclusive at the United Kingdom currency equivalent of the rand currency value of their dividend on 28th July 1980, or;

(iii) in respect of coupons lodged on or after 24th July 1980 at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the London Bearer Reception Office.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10 a.m. and 3 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the London Bearer Reception Office, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 70 cents per share arrived at as follows:

	South African Currency Cents per Share
Amount of dividend declared	100.00
Less: South African non-resident shareholders' tax at 9.97%	9.97
	90.03
Less: U.K. income tax at 20.03% on the gross amount of the dividend of 100 cents	20.03
	70.00

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. GREENSMITH

NOTE.—The Company has been requested by the Commissioners of Inland Revenue to state:
Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders tax applicable to the dividend allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 20.03% instead of at the basic rate of 30% represents an allowance of credit at the rate of 9.97%.

London Office:
London Office:
40, Holborn Viaduct,
EC1P 1AJ.
19th June, 1980.

CHILEAN EXTERNAL LONG TERM DEBT LAW NO. 8962

CHILEAN 4½% LOAN 1887
NOTICE IS HEREBY GIVEN that a Drawing of Bonds of the above loan took place on 10th June 1980, attended by Mr. Keith Francis Croft Baker of the firm of John Venn & Sons, Notary Public, when the following bonds where drawn for redemption at par on 1st July 1980 from which date all interest thereon will cease:—
1 Bond of £1,000 Nominal Capital 21428
2 Bonds of £100 Nominal Capital Each 22778 23561
[illegible]

OMRON TATEISI ELECTRONICS CO. (Tateisi Denki Kabushiki Kaisha)

Advice has been received from Tokyo that the Forty Third Ordinary General Meeting of Shareholders will be held at the Ensyukan Hall in the head office of the Company at 10, Tsuchido-Cho, Hanazono, Ukyo-Ku, Kyoto at 9.00 a.m. on Friday June 27th 1980.
Details of Agenda are as follows:—
1. The approval of the business report, balance sheet, profit and loss statement, and the draft for appropriation of the profit for the 43rd term (from April 1st, 1979 to March 31st, 1980)
2. Alteration of a part of the articles of incorporation. [illegible]

NOTICE TO THE HOLDERS OF BONDS OF THE ISSUE 8¼% 1975/85 OF U.S.$25,000,000 MADE BY THE EUROPEAN COAL AND STEEL COMMUNITY

The Commission of the European Communities announces that the annual instalment of bonds amounting to U.S.$2,475,000 has been purchased for redemption on August 2, 1980.
Amount remaining outstanding after August 2, 1980: U.S.$17,250,000.
Luxembourg, June 20, 1980.

CLUBS

APPOINTMENTS

LEGAL NOTICES

IN THE MATTER OF THE COMPANIES ACT 1948 AND IN THE MATTER OF *GLENDALE CABINET COMPANY* LIMITED
(In Voluntary Liquidation)

NOTICE IS HEREBY GIVEN pursuant to Section 299 of the Companies Act 1948 that a General Meeting of the Members of the above-named Company will be held at 1 Wardrobe Place, Carter Lane, London EC4V 5AJ, on Tuesday 24th June 1980 at 10.00 a.m. to be followed at 10.15 a.m. by a General Meeting of the Creditors for the purpose of receiving an Account of the Liquidators' Acts and Dealings and of the conduct of the Winding-up to date.

Dated this 27th day of May 1980.
N. H. RUSSELL,
B. MILLS,
Joint Liquidators.

IN THE MATTER OF THE COMPANIES ACT 1948 *AND IN THE MATTER OF* FOOD CONTAINERS LIMITED
(In Voluntary Liquidation)

NOTICE IS HEREBY GIVEN pursuant to Section 299 of the Companies Act 1948 that a General Meeting of the Members of the above-named Company will be held at 1 Wardrobe Place, Carter Lane, London EC4V 5AJ, on Friday 27th June 1980 at 10.00 a.m. to be followed at 10.15 a.m. by a General Meeting of the Creditors for the purpose of receiving an Account of the Liquidators' Acts and Dealings and of the conduct of the Winding-up to date.

Dated this 5th day of June 1980.
M. C. WITHALL,
P. W. J. HARTIGAN
Joint Liquidators.

TRAVEL

PERSONAL

COMPANY NOTICES

CHARTER CONSOLIDATED OVERSEAS N.V.
(Incorporated in Netherlands Antilles)

Notice to holders of French Francs 7½ per cent Guaranteed Bonds due 1987

Bondholders are notified that copies of the accounts of Charter Consolidated Overseas N.V. for the year ended 31st March 1980 may be obtained without charge from the offices of:
Charter Consolidated Limited
40 Holborn Viaduct
London EC1P 1AJ
Registered Office:
Fulkstraat 6
Willemstad, Curacao
Netherlands Antilles
19th June, 1980.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

'Sweat equity'—a way of valuing an idea

IN THE United States, some venture capitalists are prepared to offer "sweat equity." The term may be inelegant, but it is apposite. It represents the value which the venture capitalist is prepared to put on the work already done by an entrepreneur before he seeks risk finance. It may be the estimated value of market research that has already been carried out to establish the credibility of a business idea. It may be the value put on a newly incorporated company and the promises of orders it has already received in advance of the business launch.

To the entrepreneur, "sweat equity" is a means by which he can retain control of his business while raising new equity without having to match any investment made by the venture capitalist. For example, if the entrepreneur wants to raise £100,000, a venture capitalist who values the "sweat equity" at £55,000 will provide the entire sum, yet leave him 55 per cent of the equity.

The method is used by Venture Founders, the venture capital company which, as reported in yesterday's Financial Times, is to manage a fund backed by a group of major Scottish investment trusts headed by Murray Johnstone and Scottish American.

This is Venture Founders' second UK contract. It is also managing a venture capital fund of £2m which was launched in February with nearly £1.5m of backing from Pilkington Brothers, the St. Helens glass-makers, and a total of £600,000 from Prudential Assurance, British Petroleum and Industrial and Commercial Finance Corporation.

Though the earlier example of "sweat equity" is somewhat simplistic, it indicates how Venture Founders can put up large amounts of equity capital without taking a majority stake in a company and without over-burdening a new company with debt.

The system also means, of course, that the venture capitalist has no security. Given that no dividends are likely to be paid for five to eight years (indeed, up to 12 years in some cases) it is taking a considerable financial risk.

Even if the venture capitalist feels it necessary to include debt in a financing package, it will probably insist that only a portion of the interest must be paid on a running basis, with the remainder being rolled up for several years until the company can afford to pay without curtailing its growth.

To Brian Haslett, the English-born managing director of Venture Founders, this is what venture capital is all about. His company is a subsidiary of Venture Founders Corporation, an American company he helped to found 10 years ago.

Haslett says that, especially in the UK, people find it difficult to comprehend the idea that little or no short-term return is required. Entrepreneurs invariably ask "how much interest will I have to pay?" yet the funding is frequently equity capital, so there is none to pay.

The catch, if there is one, is that Haslett's company is extremely selective. It spends a long time, maybe many months, screening possible business ideas and it will only be those which offer the probability of achieving around £1m turnover within three years and continued rapid growth thereafter that will receive funding.

Exploitation

Generally, investments must meet two basic criteria. First, the business itself must offer an extraordinarily good chance of large-scale exploitation. Second, the entrepreneur must show that he has the ability to develop a large-scale enterprise—the two characteristics very often do not go hand in hand.

Haslett believes there is a place for this highly selective approach because it affords the chance of exploiting a good business idea at a much greater rate than would be the case if an immediate or early financial return were demanded.

Given time, Haslett maintains his company's investment approach will, overall, realise very substantial gains for the investors in the two funds he is now managing in the UK.

In a sense, Haslett has been preparing for this latest venture for 10 years. In 1970 he left Arthur D. Little, the U.S.-based management consultants, and decided to investigate whether American venture capitalism could be applied in Europe. During his researches at the Massachusetts Institute of Technology he met Alex Dingee, a successful entrepreneur who had built up two companies and sold them for around $4m. While lecturing at MIT Dingee was also investigating the obstacles that lie in the path of anyone setting up in business.

Haslett worked with Dingee on these researches and this led to them, together with Leonard Smollen, setting up Venture Founders Corporation in 1970.

At the same time, Haslett began working with the late Stanley Rubel, who in 1960 had founded the magazine "Venture Capital." He is still a contributing editor to the magazine.

Haslett acknowledges that Venture Founders' early days were not particularly easy because within two years the market had gone into recession after a number of the venture capitalists who had mushroomed in the late 1960s burned their fingers. It is only in the past two years that there has been a major resurgence in the American venture capital market. Haslett ascribes this to the lowering of the capital gains tax rate from 50 to 30 per cent, and to an influential survey of different types of investment media. This showed that the more successful venture capitalists had achieved an average compound growth rate in the 10 years to 1978 of 17 per cent, compared with 6 per cent for bonds and only 2 per cent for stocks.

The amount of new money that has gone into companies providing what Haslett calls "classical" venture capital—that is, of the type he deals with—in the past two years is around $400m, although a figure of nearer $1bn has been quoted when including development capital and other, similar types of finance.

Despite the poor venture capital climate in the years from 1972 to 1978, Venture Founders Corporation has backed 25 entrepreneurs in eight years. Four have become multi-million pound turnover companies and three have failed. One early investment that was successful was a tent manufacturer—not the most obvious industry from which to expect rapid growth.

In the UK, Venture Founders operates from 4-6 Copthall Avenue, London, EC2. Telephone 01-628 4200.

Nicholas Leslie

Corporate strategy and the Third World 'threat'

The Western world is using the "competitive threat" from the more advanced developing nations—the so-called "Newly Industrialising Countries" (NICs) — as a scapegoat for its own industrial and economic failings, a group of leading economists claimed earlier this week.

Their report, summarised extensively in the Financial Times World Trade News section on June 18, can only provoke howls of disbelief from industrialists who are convinced that their businesses are being decimated by cheap (and "unfair") imports from Hong Kong, South Korea, Taiwan, Brazil, Mexico and the rest.

In an attempt to bring the discussion down to earth from its macroeconomic (and macro-political) heights, we publish below the views and advice of two international economists with years of experience of talking to the business world in terms it can understand. Together, they try to answer the most crucial pair of questions: How great is the competitive threat from the NICs, and how should management respond?

THE LDC EXPORT CHALLENGE*

Product Group	% of total LDC exports going to developed countries†	sectoral analysis of exports going to developed countries	sectoral analysis of exports going to other developing countries
Textiles	54.3%	14.5%	18.1%
Clothing	85.9	21.0	5.5
Electronics and electrical machinery	82.3	15.7	6.0
Other machinery and transport equipment	21.2	3.0	20.9
Chemicals	51.5	9.6	15.5
Iron and steel	57.9	4.7	6.2
Other manufactures	67.6	31.4	26.8
Total	63.4	100.0	100.0

Notes: * Based on 1974 statistics
† Taking into account exports (not shown) to centrally planned economies. Yugoslavia is counted here as a developed country.
Source: Survey of the Impact of Manufactured Exports from Industrialising Countries in Asia and Latin America. By Lawrence G. Franko, NPA Committee on Changing International Realities, Washington DC, November 1979.

COMPANIES THROUGHOUT the industrialised world may think they have heard enough to last them a lifetime about the four-sided threat that has emerged since the early 1970s: soaring world inflation; slumping Western growth; accelerating impact of new technology; and intensifying competition from the more advanced of the "Less Developed Countries," the so-called "Newly Industrialising Countries."

But have Western managements done enough to analyse the four trends—both individually and in their complex interaction—and to plan how they can transform the threat into a positive opportunity, rather than being swamped by it?

The answer, on every count, must be no. This applies both on the first three elements, and on the fourth: those acronymic LDCs, or "NICs" as the more advanced members of the fraternity have become known.

Management's comprehension of how the four elements interact should be aided by a terse analysis by Assar Lindbeck, Professor of International Economics at the University of Stockholm, first presented at this year's Davos Symposium of the European Management Forum.

Professor Lindbeck's paper combined an examination of macro-economic and political factors with advice to western manufacturers on how to respond to the four-sided challenge. Though optimistic on the West's ability to respond to the "LDC threat," taken in isolation, Lindbeck was decidedly less hopeful that it would be able to bring itself to make the widespread structural change which will be necessary to cope with the other three trends.

For individual firms, confronting the LDC challenge, Professor Lindbeck outlined several possible strategies, all of them involving the exploitation of "the unique organisational and technological competence" which underlies the comparative advantage of the developed countries over the LDCs.

Strongly innovative companies might continue to survive by developing successive generations of new products (what management theorists call the "product-cycle policy"). Other companies might shift from selling individual products or services to marketing entire systems.

On the other hand, some might choose to produce more specialised components or services, while there would also be new co-operative arrangements between firms in the developed and less developed countries.

While the analysis of Professors Lindbeck and Curzon (see below) agree in many respects, Lindbeck argued forcibly that a further expansion of exports from the LDCs could not possibly be a general threat to the Western economies.

Empirical studies suggested that the displacement of labour in the developed countries caused by increased imports from the LDCs had been very small indeed when compared with the labour shifts that continually occur within the Western economies for internal reasons—such as variations in armament or space programmes, new technologies and changes in labour productivity.

Even if the developed world's imports of manufactured goods from the LDCs more than doubled over the next decade, by as much as $60bn in real terms, the impact on unemployment in the OECD countries would be small, Lindbeck forecast: only 0.5 per cent of total employment.

One reason why the "rich countries" were tending to become so anxious about LDC imports was that their impact was concentrated on a few sectors and regions, particularly the labour-intensive ones.

Since the West's current problems with structural change and unemployment were mainly caused by internal factors, it should not be too difficult to integrate the NICs into the West's trading and production system, Professor Lindbeck argued.

This was especially so if the NICs avoided overexploiting the liberal trading system by one-sided and sudden sales drives in a few products and countries.

If Professor Lindbeck was relatively optimistic about the West's ability to cope with the challenge of the NICs, he was pessimistic about its readiness to reallocate resources between companies and sectors in response to the far more weighty internal problems of inflation, slow growth and increased technological competition.

The barriers to a reallocation of resources had recently risen, Professor Lindbeck complained. For one thing, employees were less willing than in the past to change jobs. This was partly because structural change had now hit large firms — for instance in steel and shipbuilding — and partly the result of a redefinition of economic security as the "right" to stay in the same job, rather than just maintaining income and having a good chance of getting a new job.

Financial incentives to job mobility had also been reduced, Lindbeck argued, through higher marginal tax rates and reduced differentials in some countries, and more liberal unemployment and social security benefits.

A further difficulty was the reduced mobility and flexibility of capital markets—especially for entrepreneurship and innovation—because of low rates of return on equity capital, high taxation of income from such capital, and stiffer government regulation of both the financial markets and of capital investment and production. The "swelling bureaucratisation" of large firms was partly to blame for the discouragement of entrepreneurship and innovation.

The rate of structural change had also been slowed by the proliferation of selective subsidies to firms, Professor Lindbeck claimed. Finally, the growing instability of the economic "rules of the game"—changes in tax rates, subsidies and regulations—had worked against companies' long-term commitments, and especially their investment decisions.

It was not only Government and trade unions who were to blame for this impasse, but also business managers. They must all play a role in helping to improve upon the functioning of the economic system, Professor Lindbeck concluded.

Christopher Lorenz

Perils of protectionism

FEW people yet realise how significant a change has taken place in the pattern of income of the less developed countries. Whereas trade in commodities once accounted for virtually all of their income, today 50 per cent of their revenues is derived from manufacturing.

The industrialised Western economies are the major beneficiaries of these countries' foreign trade, since LDCs do little trade with OPEC or Communist countries, or among themselves. But Western industry is becoming increasingly susceptible to the pressures of competition from the LDCs, despite the fact that they are not yet fully integrated in world trade. They can only become so if the industrialised nations allow themselves to undergo a shift in industrial structure. Paradoxically, such changes are in the West's own interests.

This challenging picture of changing industrial patterns and the pressures being created by them was presented at the recent ISC - International Management Symposium in St. Gallen, Switzerland by Gerard Curzon, professor of international economics at Geneva University's Graduate Institute of International Studies and a faculty member of the Centre d'Etudes Industrielles.

Professor Curzon's presentation—a mixture of bald statistics and what he believed were the harsh options that Western industry faces today—contrasted sharply with many of the more esoteric contributions on the "world economic order" at the four-day symposium.

Set within the historical context outlined by Professor Curzon, the explosion in the economies of the emerging industrialised countries has been remarkable.

In the 19th and early 20th centuries the UK and the Continent formed the only major centres of production. The U.S. then emerged as an industrialised producer on a world scale after 1918, but it was not until after the Second World War that it became what Curzon described as "fully accommodated" within the world trade system. More recently, Japan had entered the arena in the 1960s, but it still had to be fully integrated, he suggested.

Such places as Hong Kong, Taiwan, Singapore and South Korea had emerged as "New Japans" in the 1970s, and the 1980s would herald the appearance of a dozen or so more countries undergoing industrialisation. The number of new production centres was therefore rising, while the time needed for them to emerge and be accepted was shortening. Could the world trade order accommodate them, Curzon asked.

Given that such a situation has been faced before, though not on such a scale, he believed that on the whole it could. However, the older industrialised countries were being presented with two broad options—to protect themselves from the emerging countries, or to accept shifts in their current comparative advantage over less industrialised countries, while also specialising more within particular industrial sectors and remaining open to trading with all nations.

If countries resorted to protectionism, the long term costs would be: an "implicit" tax on the efficient parts of their export sector; a reduction in competition; a distortion of industrial structures; retaliation by other countries; a reduction in real incomes abroad leading to a fall in demand for exports; and disruption of third markets as exports converged on them. Anyway, said Professor Curzon, there was no doubt the change would come.

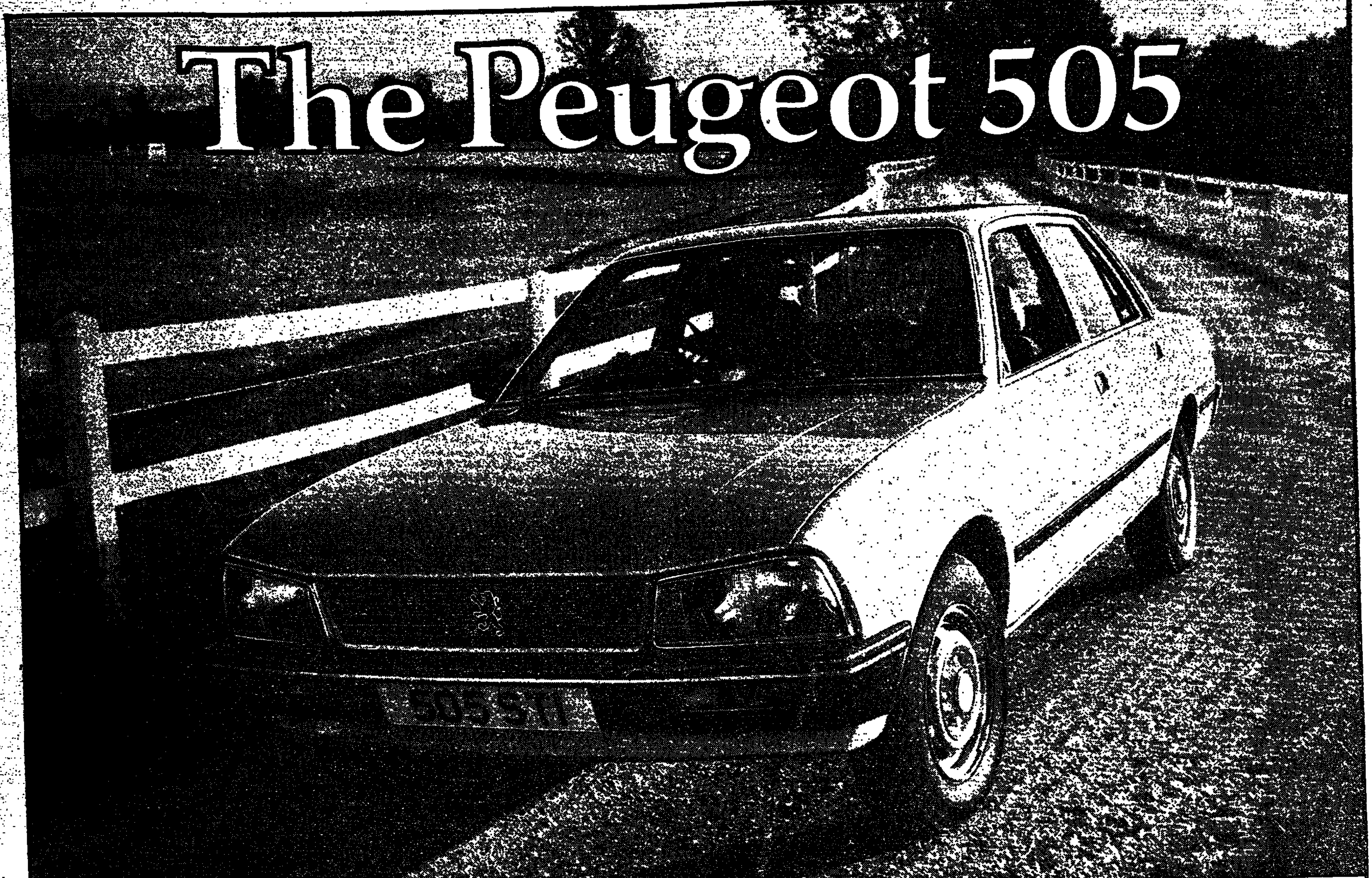
If shifts in the comparative advantage of industrialised countries were accepted (which Curzon suggested was unlikely, since the nature of political decision-taking was more likely to encourage protectionism), there would be costs in terms of unemployment and loss of asset values. But the losses could be minimised by improving the functioning of labour markets and capital markets — here, Curzon reckoned the answer lay simply in restoring both personal and corporate incentives.

The theme of north-south relationships and the attitudes of industrialised countries and industrialists within them, was also developed by Prince Claus of the Netherlands. The richer economies had to have an interest in developing the purchasing power of poorer countries, he asserted. The growth rate of developing countries had to be increased, and co-operation in formulating their development policy was just as important as simply giving aid.

Prince Claus felt that if co-operation were to be extended beyond just aid, the private sectors of the LDCs would have to be co-ordinated within national development policy. For the private sectors of industrialised nations to be influenced in their relations with LDCs, it was necessary for governments to create the right framework and the right incentives.

Avoidance of protectionism was also strongly advocated by the Prince. But at the same time, he believed that not all the trade advantages offered to LDCs in the past should be continued.

Nicholas Leslie



Executive Car of the Year

"The new car that offers excellent handling and power steering as well as an outstanding ride to complement its very respectable performance."

"We found it hard to fault."

"The 505 is a sensible thoroughly developed executive car..."

"The new 505 has beaten some impressive rivals to take its class."

What Car? magazine *April 1980*

"What the other experts said"

"With the 505, Peugeot have achieved their aim to produce a car that has the excellent ride, good noise suppression and comfort of a limousine, but that has the sporty appeal of cars from a marque such as BMW." *What Car? November 1979*

"TI/STI with new Douvrin engine is the definitive 2.0 litre four-door saloon." *Car Magazine, December 1979*

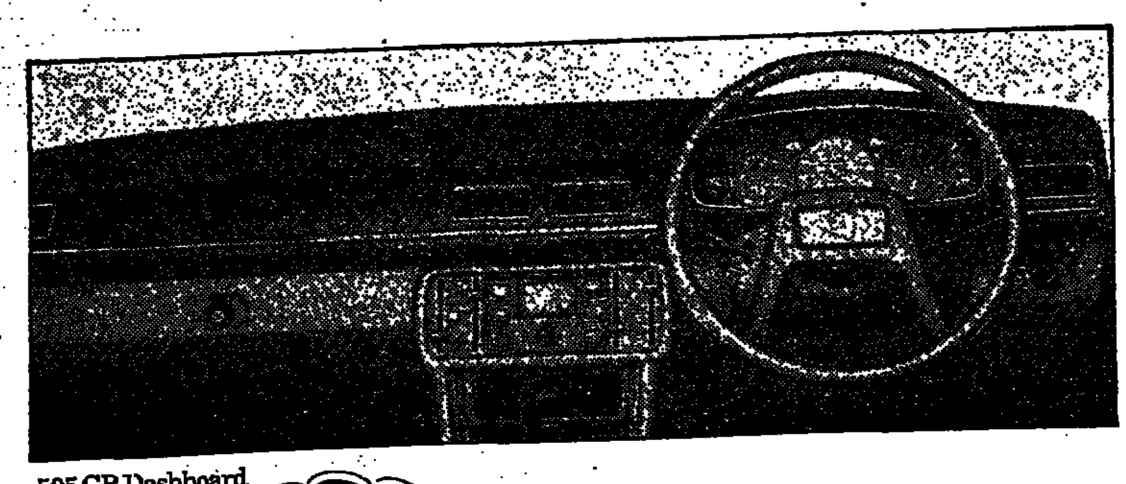
"Quite simply, the 505 is an excellent motorcar... good at most things, excellent at some, and poor at none." *Motor, November 1979*

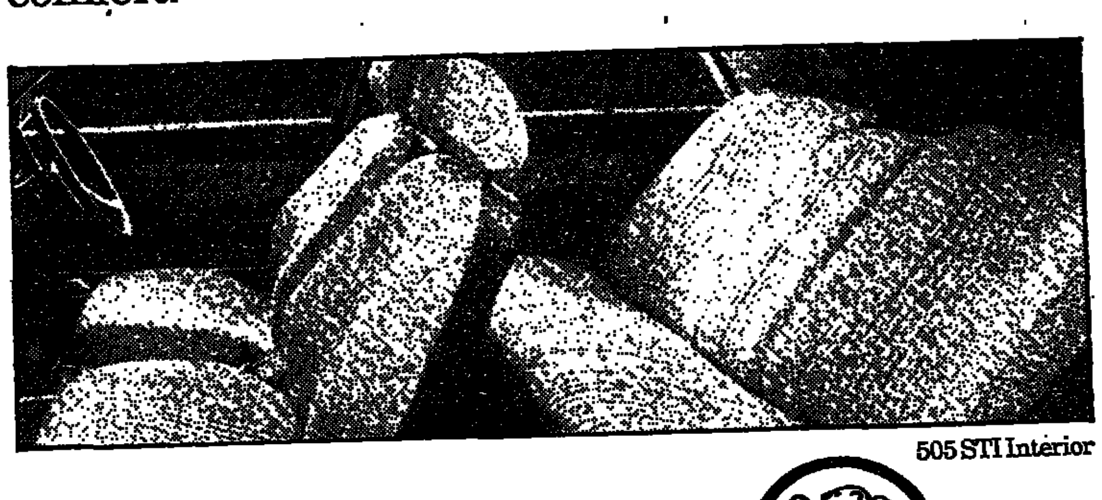
"It is, above all, a well-balanced car: quiet, well- sprung and pleasant to handle." *Sunday Telegraph, December 1979*

"Ride and handling of the 505 was impressive. Towcar of the Year 1980, the Peugeot 505 SR." *Caravan, December 1979*

"As always in a Peugeot, the ride quality is superb." *Financial Times, December 1979*

"The 505's main appeal is that it is a particularly well balanced all-rounder, notable for its quietness and comfort." *Daily Telegraph, November 1979*


505 GR Dashboard


505 STI Interior

Peugeot 505 TI wins German Golden Steering Wheel Award. This is the first time a non-German car has won this accolade, sponsored by the Springer Group, publisher of Europe's largest Sunday newspaper

Prices for the 505 Range start from £6,198 to £7,915.

Recommended retail price including VAT, car tax and seat belts.
Excluding delivery charges and number plates.
Prices correct at the time of going to press.

Peugeot Automobiles (UK) Ltd.,
333 Western Avenue,
London W3 0RS
Tel: 01-993 2331

PEUGEOT
World famous for strength.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● DATA PROCESSING

Managing projects many miles away

ONE OF the world's largest engineering companies, VMF-Stork of Amsterdam, has been co-operating for a period of time with CMG Computer Management Group on the development by the latter of a world-wide financial system for the financial control of major engineering projects, to be used by the Dutch company.

The development is a real-time, on-line skeleton database for project control and it is to be marketed jointly by CMG and VMF-Stork to the many other international groups that would find it particularly useful.

VMF-Stork now has 55 associated companies in various countries with 16 production companies spread around the world. The group is involved in many areas of engineering from the building of large cranes to drilling platforms and desalination plants and it also turns out marine diesels and a variety of technical rubber products. Annual turnover is in the region of £386m.

The production control system (PCS) has taken three years to develop and is now ready to run, which it does economically, even for the smallest jobs, its originators in CMG Netherlands and Stork-data assert. Vehicle for the PCS at present is an IBM 370 148/158, but further developments will allow it to be run on several types of mini-computer.

Access to the PCS is via visual display units linked by communication lines to the main administrative centre in Amsterdam.

One consequence is that the site manager of a refinery project in, say, Brazil can obtain direct access immediately to all the multifarious details which affect his job. This englobes all budgets and estimates, management, labour and materials costs and the like. All data is presented in a simple and straightforward manner, either in Dutch or in English, so that the user can readily grasp a situation and then feed in his own data for manipulation to solve his local problems.

In this way, a user is absolved from a great deal of paperwork, but can much more readily form a picture of what a site situation is, or what is happening at headquarters, though this may be thousands of miles away.

One advantage of the close collaboration between Stork and CMB during the development of the package was that it could be continually compared with the progress of actual VMF-Stork projects throughout the world. This gave the developers a precision of design often absent from computing packages constructed on a purely theoretical basis.

CMG, Sunley House, Bedford Park, Croydon, Surrey CR0 2AP (01-681 7631).

Cassettes store the data

RECENT announcements have been made by two companies about cassette-based units for the storage of data.

A unit from Data Acquisition, Electron House, Higher Hillgate, Stockport, Cheshire SK1 3QD (061-477 3888) is an analogue instrumentation recorder but nevertheless occupies only 340 by 180 by 330 mm and weighs 8.5 kg. Signals from 100mV to 10V can be accepted and recording can be in frequency modulation form (input DC to 1250Hz) or direct (50 to 10,000Hz).

The tape transport is mounted on the top horizontal surface and can be remotely controlled by plugging a cable-connected unit into the front panel. Tape speed is 47.6mm/sec and the tape position is displayed on liquid crystal counter.

A number of other plug-in modules allow various kinds of transducer from the data source to be connected. Designated DA 1442-4-1, the recorder runs for five hours from a rechargeable battery pack.

The second machine is a B and K Laboratories product and is for digital signal or recording where modern digital output measuring instruments are in use. Up to 500 kilobytes of data can be put on to the standard cassette from IEC/IEEE or B and K bus and read out into the bus as necessary.

The cassette is front panel loaded, and its tape situation is indicated on a four digit display which can be used in the search mode to find a spot on the tape by entry on the front panel. The machine meets ECMA standards and the tapes it makes can be read by ECMA-compatible computer terminals.

Data can be read or recorded at 1,000 bytes/sec at the tape speed of 15 inches per second. More from the company at Gross Lances Road, Hounslow, Middlesex (01-570 7774).

● SAFETY & SECURITY

Rescue from tall blocks

CONSISTING OF climbing rails attached to the outer walls of high-rise buildings and cabins with cantilevers and drives is a fire rescue system from Fried. Krupp GmbH, PO Box 10 22 52, D-4300 Essen 1.

The cabins are either permanently in place on a building or can be brought to the scene of a fire by the fire brigade or rescue team.

Important benefits are said to be the rescue rate, the attainable heights, the speeds at which the empty cabin ascends, and the short time it takes to set up the rescue operation.

About 310 people can be rescued in an hour with the cabin moving up to the tenth floor (and about 210 people saved in one hour with the cabin moving up to the 45th floor).

Set up time is said to be very short—if it is permanently attached to the climbing rails, just one minute is required to get the cabin ready for operation (otherwise it takes three to five minutes).

System promises to enhance the rescue capability of a fire brigade in that it affords access to every point on the outer wall of a high-rise building, thereby making every window a potential fire escape route.

The cabin makes it possible to effectively combat a fire beyond the range of the fire brigade's ladders, independent of stairwells, lift shafts and hallways.

In addition to affording a high degree of safety in the event of a fire, the cabin can also be used for cleaning the building and windows or for hoisting materials.

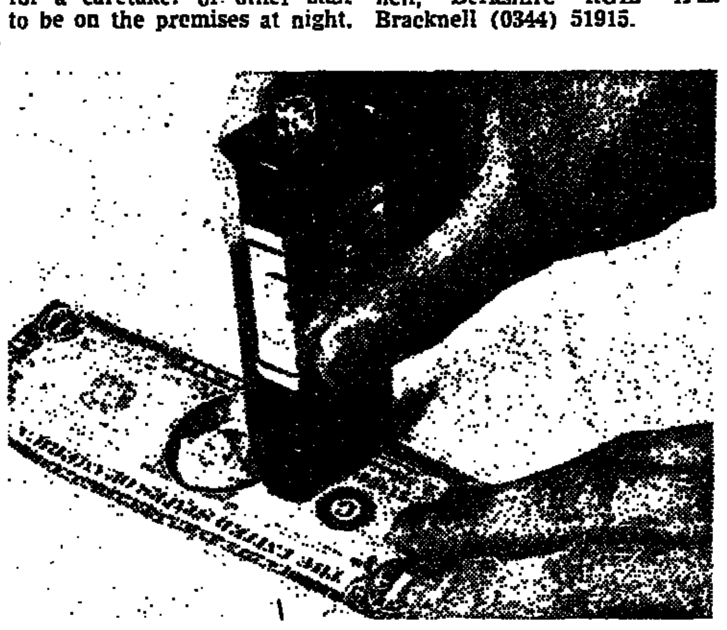
Day and night watch

IN A NEW marketing venture, telemetry manufacturer Dynamic Logic is going into the service business. It is using its expertise in the design and provision of monitoring and display equipment to offer customers an inexpensive alarm monitoring service whereby the condition of such diverse equipment as cold cabinets, environmental test ovens, water purifiers, boilers and many others is watched day and night.

If a fault occurs Dynamic Logic will immediately notify the client for suitable action to be taken. A responsible person (or persons) can be contacted at any time without the need for a caretaker or other staff to be on the premises at night, and the system can even be connected into a radio paging system for people on the move.

Dynamic Logic sees this service as an extension, for smaller companies, of the facilities its present customers receive by installing a complete telemetry system. The new service brings alarm monitoring within reach of the man who needs it, but for whom even the smallest complete telemetry system would be uneconomic. It also enables customers who intend to install their own central control at a future date to start their system with minimum capital expenditure.

Dynamic Logic, Doncastle House, Doncastle Road, Bracknell, Berkshire RG12 4PE. Bracknell (0344) 51915.



Checks the cheques

IMMEDIATE forgery tests on banknotes, cheques or certificates are claimed to be possible with the Mini-Tester manufactured by BSE-Sicherungstechnik AG, Aeulestrasse 47, Postfach 171, Vaduz/Liechtenstein.

Only as large as a cigarette lighter, the device is passed over the surface of the note, a small bulb lighting up if the engraving is genuine. Intended particularly for checking dollar notes, which are said to be frequently forged, and U.S. certificates, the 80-gramme device employs a 9-volt battery.

Messages written on this device are immediately converted to telex punched tape

Speeds the telex message

FOR SOME time it has been appreciated that keyboarding takes place twice in the conventional procedure for sending a telex message—once by an office typist and again by a telex machine operator.

Delpa Systems (UK) is among a number of companies to offer equipment that allows the typist to make a telex punched tape direct from a typewriter keyboard in the office. Then, the telex room has only to transmit the tape or, if a message switching system is in use, the tape is read electronically and joins the queue for sending.

However, further time saving can be effected when it is remembered that the executive originating the message still has to either write the text on paper or dictate it to a secretary.

Thus, Delpa has now introduced a system based on the Quest Automation Micropad which allows the originator to write the message and have it immediately converted to telex tape. The pad takes the x-y coordinates of the printed words as they are written, recognises them and sends corresponding signals to the Delpa processor/punch.

If the user makes a mistake he goes back to the character position that is to be changed and overwrites it. The location is recognised by the processor, which alters its electronic store containing the message accordingly. When the message is ready the tape is punched. As a check the user can see the last 40 characters he has written on a one line LED display.

The machine can be supplied (or retrofitted) with 16, 32 or 48 k words of store so that up to 16 of the pads can be connected to the processor/punch: the latter can be centrally placed and the former cable connected from a number of office locations.

More from the company at 56 Chiswick High Road, London W4 1SZ (01-995 8301).

● MATERIALS

Clear view of the picture

NON-REFLECTIVE material for picture glazing, Glodex Anti-Glare, costing only half as much as non-reflective glass, has been developed by Richard Daleman of London.

Unlike normal picture glass, it will not reflect mirror images which obscure the subject.

The new material is extruded from clear polystyrene in a thickness of 1.8 mm and because the rigid sheet has three times the impact strength of glass, it is safer to handle, cut and use. If it is subjected to an impact heavy enough to cause breakage, there are no razor-sharp edges to inflict injury. It is, therefore, a useful material for covering posters or pictures hung in schools, nurseries or other places for the benefit of young children.

Glodex is 50 per cent lighter than glass and is being made available through retail stockists in the DIY, homecare and hardware fields, as well as through sheet plastics stockists and builders' merchants. When fitted it is virtually indistinguishable from non-reflective glass and has similar clarity.

Glodex can be cut as easily as melamime-faced decorative laminates, using the same hard-tip scoring tool and a straight edge. After scoring two or three times to make a "v" shaped cut in the surface, the sheet can be broken to give clean true edges along the score line. It can also be cut with a fine-tooth saw so that it is possible to produce shapes to fit circular or oval picture frames. In addition, its anti-glare property, combined with its light weight, make it suitable for many kinds of window or point of sales display.

Richard Daleman, 325 Latimer Road, London W10 6RE. 01-969 7455.

● QUALITY CONTROL

Simplified check on dimensions

THE BIG layout and measurement machines known as Portage and marketed in the UK by Crown Windley of Beach's Drive, Chelmsford (0245 65111) can now be fitted or supplied with a micro preprocessor which enables numerical results to be displayed from a datum that can be chosen by the user.

The machines are widely used in industry (for vehicle dimensional checking for example) and are available in six sizes with vertical capacity from 915 to 2,440 mm and horizontal capacity from 885 to 1,270 mm.

With the preprocessor fitted, parts for inspection can be laid on the slotted grid table without precise alignment or need for fixtures. The machine is instructed to use any flat surface on the part as a datum plane and any point in that plane as the origin.

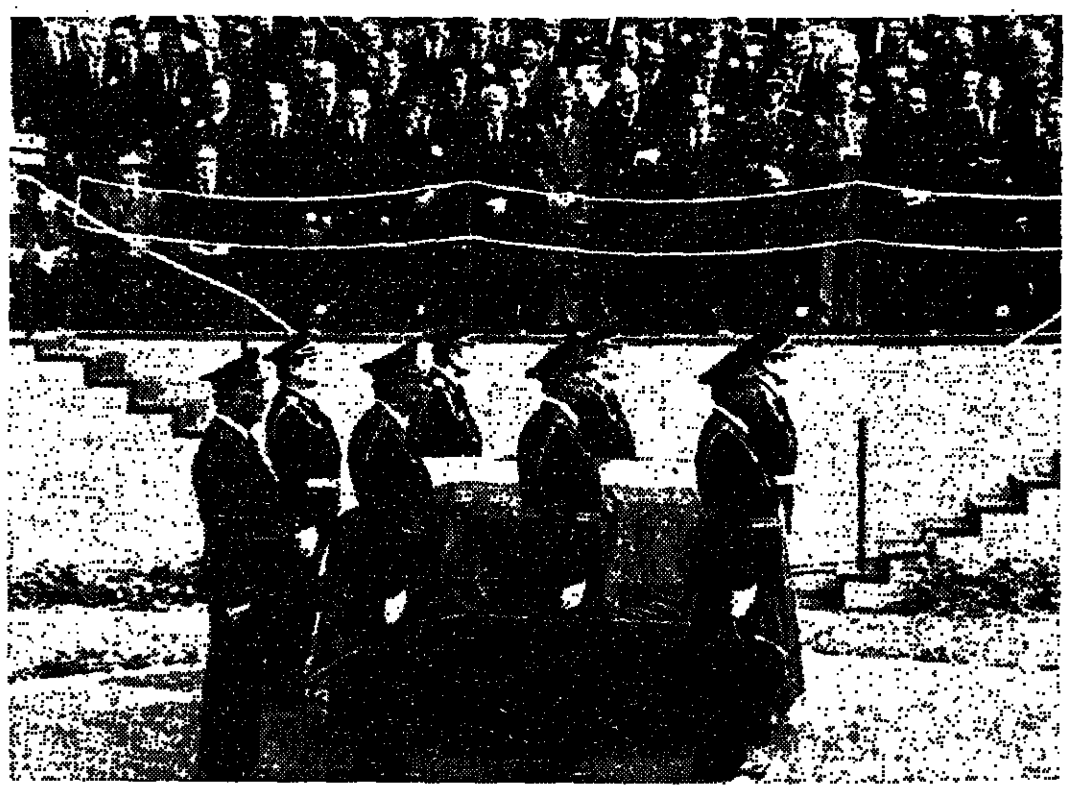
The co-ordinates of all points subsequently measured or calculated are then displayed with reference to this datum. Normally the display provides machine co-ordinates, often more or less meaningless to the operator says the company. The measurement had can easily be moved to another part of the component by slotting its base into an appropriate part of the slotted grid on the table surface.

FINANCIAL TIMES SURVEY

Friday June 20 1980

Yugoslavia

Tito, the remarkable leader who personified Yugoslavia, has gone but the country is committed to following the unique Socialist path that he established. Its complex self-managing system will have to adjust to the style of the new collective leadership, which is already tackling the prosaic problems of any modern state - including inflation and an increased balance of payments deficit.



President Tito's casket stands in front of the principal guests at last month's funeral in Belgrade. They include Mr. Gromyko, the Soviet Prime Minister, Mr. Brezhnev, the Soviet President, Chairman Hua Kuo-feng of China, Prince Philip, Mrs. Thatcher and Mr. Callaghan, Opposition leader

Strength of Tito remains a force

By Anthony Robinson

EVERY DAY a long queue forms outside Borba, the Communist Party newspaper in Belgrade's Marx and Lenin Square. It is made up of ordinary Yugoslaves waiting patiently for hours to buy filigree lapel badges tracing Tito's signature or little enamel portraits of the founding father of modern Socialist Yugoslavia.

At the same time the police are frequently obliged to use the radio to ask people not to visit Tito's tomb just yet aas the crowds have been getting too big to handle. Everywhere one sees the slogan "Tito we promise to follow in your path."

It all adds up to an extraordinary, unsolicited testimonial of respect and affection for Tito and also to the strength of popular support for continuation of the unique brand of non-aligned self - management socialism developed over the last 35 years.

In human terms many would have wished President Tito a speedier and less painful end. But in political terms during his last, prolonged struggle he undoubtedly performed a big service to Yugoslavia. His final illness permitted the long-prepared succession to collective leadership to come into being smoothly. It also allowed ordinary Yugoslavs time to adjust themselves psychologically to a future without the charismatic personality who had guided them for nearly 40 years.

Barely ten days after President Tito's funeral the system of annual rotation of posts in the eight-man collective state presidency—composed of one representative from each of the country's six republics and two autonomous provinces—swung into action. Mr. Cvijetin Mijatovic, the representative for Bosnia-Herzegovina, took over as president of the State Praesidium from Mr. Lazar Kolisevski, whose annual turn expired. In October, Mr. Stevan Doronjski will in turn step down as president of the 23-man collective Praesidium which controls the country's only political party, the 1.7m-strong League of Communists.

In practical terms the functions of the state presidency are largely ceremonial. The League of Communists has the principal responsibility for running the country's affairs and its role as the country's guiding light was deliberately underlined in Mr. Doronjski's graveside eulogy.

But the party, although an all-Yugoslav institution like the armed forces, the security establishment and the national bank, is itself also organised on republican lines, reflecting the highly devolved federal structure of contemporary Yugoslavia. The federal government in Belgrade has practically "withered away" following the constitutional and legal reforms since 1974. It is now principally concerned with the currency, foreign affairs, national defence and administering the regional development fund.

Economic power has been devolved to the thousands of self-managing enterprises and the so-called self-managing communities of interest which look after health, education, local government and welfare. Through this unique system Yugoslavia has done away with the totalitarian presence of state and party which still characterises so-called real socialism in Eastern Europe.

Plurality

The Communist Party, although it is the only political party, has developed along lines intended to reflect what the party's former chief ideologist, Mr. Edvard Kardelj, defined as "the plurality of self-managing interests." Since the 1978 Party Congress, the party has allowed much freer discussion within its ranks, allows members to hold minority views and is expected to justify its role as the guiding light by its sensitivity to the changes taking place in society at large.

Now, however, this extraordinarily complex system, designed to spread democracy and participation as widely as possible and respect the diversity of the country itself, has to be run without either the man who created it—Mr. Kardelj, who died last year—or the man who up to now has symbolised Yugoslav unity and acted as final arbiter—Tito himself.

Clearly, there will be changes in the future. There is a widespread recognition among the Yugoslav leadership and society at large that any attempt to stop the clock, or even return towards the more rigid and authoritarian mould of conventional East European regimes, would be both impossible and counter-productive.

Instead, the collective leadership's thinking is now orientated towards more open and frank discussion of Yugoslavia's problems, and towards policies aimed at making Yugoslavs accept their responsibilities as self-managers for the country's economic as well as social and political health.

Free discussion will continue to have its limits however. Stiff prison sentences have just been handed out to members of nationalist groups in both Croatia and Kosovo. The message these sentences convey is that any perceived threat to Yugoslavia's unity will be treated severely.

Advocacy of a multi-party system also will remain a taboo subject for the foreseeable future. This is partly an ideological question but also reflects fears that a multi-party system under Yugdslav conditions would develop inevitably along national and ethnic lines. This, so the argument goes, would represent a threat to the continuing unity of federal Socialist Yugoslavia.

Preserving Yugoslavia's "unity in diversity" is one of the collective leadership's main tasks. But one of the inevitable questions asked by Western observers in particular is how long the unity of the collective leadership itself will be maintained.

The present system in all its intricacy is a highly-artificial one, in the sense of being a deliberately-created artifice, the expression of a complex ideological conception. Moreover, the Balkan tradition favours the charismatic leader. At present there is none in sight; perhaps none is needed.

Yugoslavia, like the rest of the world, no longer lives in heroic times. The problems of a modern, industrialised and increasingly urban society in the technological age are not the same as those which faced the partisan generation from which Tito sprang. Nevertheless, it would be quite remarkable if someone did not eventually emerge from the younger generation as primus inter pares.

In the meantime Yugoslavia faces many of the tiresome prosaic problems of economic survival and social adjustment common to all. In recent years Yugoslavia has been living beyond its means. The self-managing enterprises have shown enormous enthusiasm for investment. They have also been under great pressure to create new jobs and pay higher wages and salaries.

At the same time, in spite of all the campaigns against bureaucratism, the fact is that the devolution of power to the republics and the need for coordination in the whole self-mangement system has led to a tremendous proliferation of what the UK knows as "quangos" and committees of one kind or another.

The net result is that Yugoslavia has been consuming more than it has been producing; productivity has risen but slowly and the most visible consequence is a sharp increase in the balance of payments deficit to more than $4bn last year and inflation currently running at about 26 per cent.

Drastic action to get the economy back on an even keel was clearly overdue. But the combination of President Tito's illness and the slowness of the decision-making process in such a highly-devolved system prevented it. Then on June 5 the collective leadership finally took the bull by the horns. The Prime Minister, Mr. Veselin Djuranovic, announced a drastic 30 per cent devaluation of the dinar on top of the ten per cent ithas already floated downwards over the first six months of the year.

Sacrifices

This was the first and most important part of a new economic stabilisation programme which, to succeed, will require considerable sacrifices and changed attitudes towards working, productivity and income, if the result is not to be merely uncontrollable inflation.

The aim is to reverse the steady decline in Yugoslavia's export performance and competitivity in recent years. The devaluation accompanies measures to restrict the overall level of investment, keep personal incomes well below enterprise income and cut Government spending.

At a stroke the devaluation, it is hoped, will stimulate exports, boost foreign tourism and emigrant remittances and also encourage domestic import substitution. At the same time investment in prestige and social projects is being cut and priority given to export credits, and investment in domestic energy and raw material sources and agriculture.

Before the devaluation decision the economy had already been slowing down considerably, in line with plans to cut GNP growth to about 5 per cent from the 6-7 per cent level of recent years. Now the domestic downturn is expected to be even more severe and this inevitably will affect both employment and incomes.

Greater use of the market price system to allocate resources within the economy, and phasing out of food, rent and other subsidies, meanwhile, is being accompanied by new legislation aimed at putting small private enterprises on a more open legal footing.

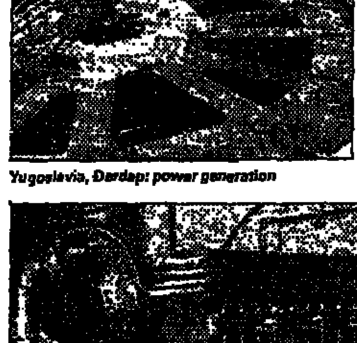
The authorities are at pains to underline that this does not mean ideological backsliding towards a more free enterprise system but recognition of the contribution which small-scale private enterprises and capital can make to improving services and tourism, as well as in providing a more flexible source of supply on a contractual basis to the socialised self-managing enterprises.

The hope is that the sacrifices will be short and sharp but sufficient to get the economy back on an even keel before renewing faster, but more balanced growth over the rest of the decade.

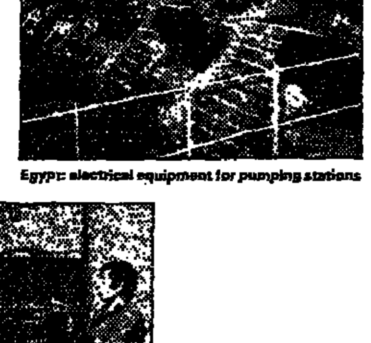
It certainly will be a testing time for Yugoslavia. The next few months will show whether Yugoslavia without Tito can show the discipline and flexibility to pull through what is likely to be a period of considerable economic hardship without re-opening the regional rivalries and class antagonisms which have surfaced in the past.

BASIC STATISTICS

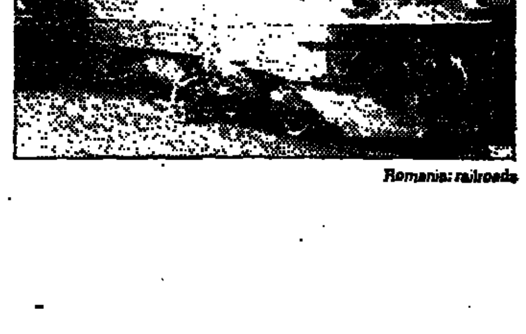
Area	98,766 sq miles
Population (1978)	21.9m
GNP (1978)	895.8bn dinar
Per capita	40,887 dinar ($2,193)
Trade (1978)	
Exports	103,496m dinar
Imports	182,286m dinar
Trade with UK (1979)	
Exports	£51.3m
Imports	£173.9m
Inflation rate (1979)	21.4 per cent
Currency:	New Yugoslav dinar £ = 63.758 (16/6/80)



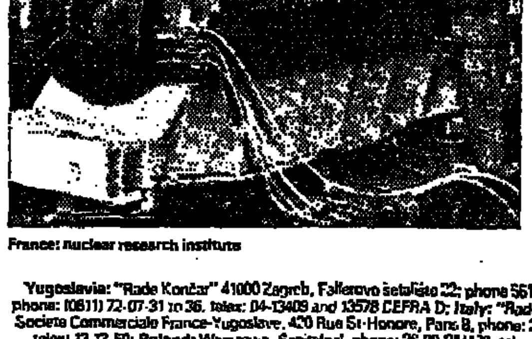
Yugoslavia, Dardap: power generation



Egypt: electrical equipment for pumping stations



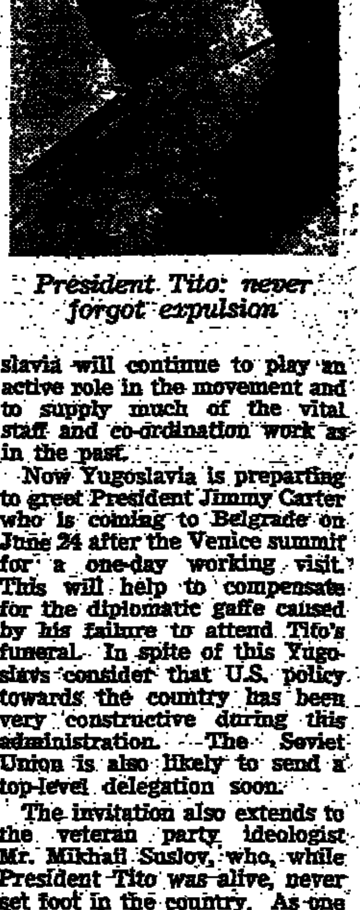
Romania: railroads



France: nuclear research institute

YUGOSLAVIA II

Independent foreign policy


President Tito: never forgot expulsion

IF A COUNTRYS power could be calculated on the basis of the number of friends it has in the world, Yugoslavia would be a Superpower. More than 40 countries televised President Tito's funeral live last month and over 120 world leaders flew to Belgrade to pay homage to one of the undisputed great leaders of the 20th century.

They also indulged in a frenetic round of informal summit diplomacy. For two days Belgrade became the centre of world diplomacy, a tribute both to President Tito and the non-aligned policy through which Yugoslavia achieved a sturdy independence from the two Superpowers and close relations with the newly-independent nations of the Third World, for whose freedom from colonialism Yugoslavia had always campaigned.

Yugoslavia intends to continue the policies which have both served Yugoslavia well and contributed to the security of others.

In retrospect, Stalin did a great service by expelling Yugoslavia from Cominform, the Soviet-led world Communist organisation, in 1948. He not only stimulated Yugoslavia's search for its own national path to socialism but also gave powerful encouragement to the liberation of other socialist countries from the theory of a monolithic world Communist movement based in Moscow.

For Yugoslavia, the emancipation from Moscow is irrevocable. The terms of its relationship with the Kremlin were clearly spelt out in the Belgrade Declaration signed at the end of Mr. Khruschev's "Journey to Canossa" in 1955. Henceforth, it said, relations between the two countries would be based on the principles of independence, sovereignty, equality, non-interference in internal affairs and mutual respect.

Mr. Brezhnev, the Soviet President, underlined the Soviet Union's continuing interest in Yugoslavia by his presence at President Tito's funeral. His presence there ensured that top-level delegations would come from all the other East European countries too, including Mr. Todor Zhivkov of Bulgaria with whom Yugoslavia has a long-running dispute over the status of Macedonia.

Successors

President Tito had a deep emotional attachment to the Russian Revolution, in which he played a minor part. His successors do not. From that, some Western observers deduce that Moscow might be tempted to set itself up as a self-appointed guardian to see that Yugoslavia does not stray from the Titoist path. It will soon be reminded of the Belgrade Declaration if it does. This is not considered to be very likely, however, and the Soviet Union appears anxious to act correctly and improve economic, cultural and party links.

In fact, Yugoslavia has seen its relationships with both the Superpowers improve over the years, although the process has not been without its ups and downs. Of particular satisfaction has been the rapprochement with China, with whom relations are now excellent. Frequent exchanges of delegations and Chinese interest in self-management and the Yugoslav system generally has replaced years of anathema as "a running dog of imperialism." Chairman Hua was also among President Tito's mourners.

But Yugoslavia has shared the concern about the deterioration in relations between the Superpowers. It believes that detente is essential not only for world peace but also to promote emancipation of the smaller powers from Superpower tutelage.

It strongly criticised both the Soviet-backed Vietnamese invasion of Kampuchea and the subsequent Soviet "incursion" into Afghanistan. It does not believe, however, that events in Afghanistan were the major cause of this breakdown. The U.S. also contributed to the deterioration in Superpower relations. With the change in administrations it believes that the U.S. has moved from Dr. Kissinger's conception of a "co-operative and competitive" relationship to Mr. Brzezinski's confrontational approach and nostalgia for America's former military superiority.

In global terms Yugoslavia now believes that the stage is being set for a resumption of the detente process, but on a very different basis than before. It believes that the concept of detente as an affair between Superpowers is over and a new multi-polar approach is taking shape in which a much greater role will be played by Europe, China, Japan and the non-aligned world.

Yugoslavia notes with great interest the changing relationship between the Superpowers and their respective allies. It believes that both sides of a divided Europe have a common interest in preventing another war. Neither side wants to be "destroyed in order to be re-built again."

So far the clearest signs of greater independence have emerged in Western Europe. But Belgrade is also following with the closest attention the evidence emerging from Eastern Europe that there too the old satellite relationship is slowly changing into a less unequal partnership. Signs of this emerged both in the reluctance of East European countries to support the Soviet invasion of Afghanistan and in the criticism which the Soviet Union reportedly received during last month's Warsaw Pact summit.

In Yugoslav eyes the great test of these new developments will come over the issue of nuclear arms. Yugoslavia tends to the view that Soviet deployment of the SS-20 missile in the western part of the Soviet Union was the initiating factor in the present build-up of nuclear weapons in Europe. It is looking forward hopefully to the Madrid conference where it believes that the "basket one" issues of military security will this time have priority over the "basket three" human rights questions which bogged down the Belgrade conference in a welter of mutual recrimination.

Major error

Yugoslavia sees the Soviet invasion of Afghanistan as a major error which has lost the Soviet Union its status as an anti-colonial power in the eyes of the Moslem and Third World. It believes the Russians would like to see a political solution which would enable them to withdraw — but only if this allowed the Babrak Karmal regime to stay and for Afghanistan to be recognised as a socialist country within the general Soviet sphere of influence.

Yugoslav diplomats believe that the invasion decision was made for complex reasons. These include fears that the U.S. intended to turn Pakistan and Afghanistan into military bridgeheads after the loss of Iran; concern about the general instability on their southern border; and also longer-term Soviet concern about future access to Middle East oil.

They believe the Russians have come to the conclusion that they have neither the money nor the means to develop their vast oil and energy resources in the north and in Siberia. It will be cheaper for them to buy Arab and OPEC oil and delay exploitation of their own highly-expensive oil until the next century. By then oil prices will have risen to such an extent that exploitation of Siberian resources will become profitable and the world will be beating a path to Russia's door, begging to be allowed to help exploit them.

All that lies in the future. In the meantime the Yugoslav leaders accept realistically that Yugoslavia without President Tito will not carry so much weight in the non-aligned movement. They take satisfaction, however, from Cuba's failure to impose its view of the Soviet Union as the movement's "natural ally." Yugoslavia will continue to play an active role in the movement and to supply much of the vital staff and co-ordination work as in the past.

Now Yugoslavia is preparing to greet President Jimmy Carter who is coming to Belgrade on June 24 after the Venice summit for a one-day working visit. This will help to compensate for the diplomatic gaffe caused by his failure to attend Tito's funeral. In spite of this Yugoslavs consider that U.S. policy towards the country has been very constructive during this administration. The Soviet Union is also likely to send a top-level delegation soon.

The invitation also extends to the veteran party ideologist Mr. Mikhail Suslov, who, while President Tito was alive, never set foot in the country. As one of Stalin's top aides he played a major role in the expulsion of Yugoslavia from the Cominform, a move which President Tito never forgot. It will be interesting to see whether Mr. Suslov makes the journey now.

Anthony Robinson

PRODUCTION OF BASIC PRODUCTS 1976/1979
(Million kwh, 000 tonnes)

	1976	1979	Per cent
Electric power	42,573	54,966	26.1
Coal	36,845	42,114	14.3
Crude oil	3,880	4,143	6.8
Iron ore	4,260	4,617	8.4
Crude steel	2,751	3,437	24.9
Copper	195.2	137.5	−29.6
Aluminium	195.7	189.5	−3.2
Lead	140.4	111.0	−20.9
Zinc	95.0	98.9	4.1
Sulphuric acid	904	1,047	15.8

Targets sought for Five-Year Plan

THE NEXT Yugoslav five-year plan 1981-1986 should be passed by the federal parliament before the end of this year and implemented from next year on. Preparations, however, have been lagging behind schedule. So far there has been not even a comprehensive draft, but discussions have been going on full speed both behind closed doors and in the open, in the organisations of associated labour, the chambers of economy, the republics and the like.

Attempts are being made this time to avoid the mistake made five years ago when the then plan was not widely enough debated among the basic components of society, by the workers themselves or co-ordinated by production and other organisations. Instead, it was largely the result of understandings and compromises by the constituent republics and autonomous provinces.

Ideas have been circulating, including those of the Federal Government, as to what plan targets should be. Although they could undergo substantial changes, the main feature is that they are both ambitious and optimistic. In foreign economic relations the idea is to increase the volume of exports by 6 per cent a year, double the 3 per cent estimated for the current five-year period 1976-1980. Furthermore, it is envisaged, there should be almost no growth in imports, and the balance of payments deficit should be reduced to less than $1bn by 1985; last year it exceeded $4bn.

The plan will incorporate the same basic objectives of the current plan, like developing production of raw materials, energy and food.

But the objectives of the 1976-1980 plan are far from being met. Production of basic products in the first four years, when industrial production increased by one third, and the output of manufacturing industries by even more, lagged far behind. The output of some raw material was lower in 1979 than it was in 1976.

By 1985 power generation should reach 80bn kWh. Most of the increase is to come from conventional plants. Coal output should go up by about 35m tonnes. Production of iron ore should reach 11m tonnes, crude steel 8m tonnes, copper 210,000 tonnes (150,000 from local ores), aluminium 440,000 tonnes, lead 200,000 tonnes (180,000 local ores), zinc 180,000 tonnes (122,000 local) and sulphuric acid 1.8m tonnes.

Efforts

Exploration for new energy and raw materials sources will be stepped up. Studies indicate that the degree of exploration has been low. Only 30-40 per cent of oil and gas reserves, 75 per cent of coal, 30 per cent of uranium, 35 to 45 per cent of non-ferrous metals, some 50 per cent of iron ore, and around 30 per cent of other industrial minerals are believed to have been located.

But even if efforts to boost the output of raw materials are successful, by the end of 1985 the structural imbalances will largely remain.

The primary sector will continue to lose ground to the secondary, which will become stronger, while the tertiary sector will still represent about a third, as over the last five years. There have been good reasons, however, to stimulate the development of the tertiary sector which could provide badly needed jobs, and voices have been heard proposing that orientation.

The average rate of growth of the Yugoslav economy in the 1981-85 period has been envisaged at around 5 per cent per year, with industrial production increasing at close to 6 per cent and agricultural at about 3.5 per cent. Fixed capital investment should grow at 6 per cent. There will probably be renewed emphasis on housing in order to alleviate the shortage, which has been very bad in large cities.

If those plans are accepted and if they materialise Yugoslavia in 1985 will be a low-income developed country, or a very developed developing country. Gross National Product per capita could reach $4,000-$4,500. Even so, wide regional differences will remain although efforts will continue to narrow the gap between the "North" and the "South."

Yugoslav economic planning is different from that in Eastern Europe. It does not say who should produce this or that, what project has to be constructed. It indicates objectives and asks for measures which ensure that those objectives are fulfilled. It also sets social objectives and aims at strengthening self-management.

Aleksandar Lebl

Brake being put on the economy

AFTER YEARS of rapid economic growth, accompanied by rising inflation and higher balance of payments deficits, the Yugoslav economy is now cooling rapidly. Industrial output, which rose by nearly 8 per cent last year, has been stuck on a plateau over the first half of the year and remains around the relatively high level reached in December.

The slowdown has been deliberately engineered. The overall strategy is aimed at bringing GNP growth down to about 5 per cent from the 6-7 per cent of the last two years in the hope that this will both take the steam out of inflation and halve last year's balance of payments deficit of about $4bn.

It was with exports particularly in mind that the Government decided on a 30 per cent devaluation of the dinar on June 5 on top of the 10 per cent the currency had already floated downward in the previous six months. But it is also hoped that this will encourage foreign tourism, a major hard currency earner, and encourage greater repatriation of remittances from emigrant workers in West Germany and elsewhere. It should also encourage import substitution and generally make the economy more export-oriented.

However, economic growth can now be expected to slow down further than originally planned while unemployment probably will also rise.

Over the last five or six years high investment and rapid growth have led to the creation of 1.3m new jobs. But the growth in both industrial and agricultural capacity has not been matched by higher exports to pay for the imported plant and machinery. In fact, exports have stagnated at around 13-14 per cent of total output since 1973 while imports are running at around 20 per cent.

Economists estimate that exports have to cover about 65 per cent of the import bill of payments if equilibrium is to be achieved. Invisible earnings from transport, tourism and emigrant remittances cover the rest. However, the proportion of export cover has fallen steadily in recent years and last year accounted for only 50 per cent.

Under these circumstances the emphasis in economic thinking has shifted away from job creation and on to the much more complex task of raising productivity, restraining the growth of incomes and embarking on major structural reforms. The top priority is now that of working to restore the external balance. It is recognised that this cannot be done overnight.

Evidence that Yugoslavia's collective leadership has opted for a pragmatic approach to the country's economic and social problems, including a new legal framework for small private enterprise, is expected to emerge shortly through new measures to revitalise the economy and strengthen the country's self-management system.

Virtues

The message now being spread is that the solution to economic and social problems lies in the traditional virtues of "higher productivity, harder work and higher savings."

The long-term strategy, as mapped out in the 1981-85 Plan guidelines, is to concentrate investment on developing Yugoslavia's domestic energy and raw material resources, the conversion of agriculture into a growing net export earner and further development of tourism. In the industrial sphere a greater effort will be made to substitute home-produced products for those currently imported and concentrate imports on plant and equipment which is not available in Yugoslavia but which is needed to modernise the economic structure.

At the same time the self-managing entreprises have undertaken to try to keep wage and salary increases to a level 5 per cent below the total rise in enterprise income. This reflects awareness that incomes have been rising much faster than productivity in recent years and that this, together with high investment, has been a major inflationary factor.

The re-adjustment process is bound to be a painful one. In fact it has already begun. Over the first four months of this year exports rose 39 per cent in value and nearly 16 per cent in volume while the volume of imports fell by 6 per cent. It is doubtful whether such a improvement can continue over the rest of the year; part of the import reduction is clearly due to the consumption of stocks already imported.

Further, in spite of the rise in exports and decline in imports' the trade gap improved only marginally to $2.35bn from $2.41bn in the same year ago period. Import prices were on average 22 per cent higher and this again reflects what has been a steady deterioration in the Yugoslav terms of trade in recent years.

In large part this is due to higher oil and energy import prices, but it also reflects the inability of Yugoslav exporters to raise their prices. This in turn is a reflection of the fact that many of Yugoslavia's manufactured exports in particular are in the middle range technology band in areas such as textiles, clothing and general industrial goods, and consumer goods where international competition is fiercest.

The sharp devaluation will exacerbate this problem in the short run by making imports much more expensive and by reducing the hard currency receipts from exports. Only in the longer term will devaluation improve the situation by stimulating export volume.

Generous

The new, realistic dinar exchange rate, lower costs and higher productivity are the key to any further expansion of exports as well as more aggressive marketing, promotion and packaging. However, prospects also have been improved by the signing of the new five-year agreement with the Common Market which re-opens Europe to Yugoslav baby-beef and a fairly generous list of other agricultural and industrial products.

Here again, however, it is realised that the full benefit will be obained only if prices and products are right.

Greater awareness of the external conditioning factors affecting the Yugoslav economy has been accompanied by a new determination to tackle the internal restraints on rational and effective use of resources. The new collective leadership is now preparing a series of measures which, in effect, represent an attempt to carry through the economic reforms begun in 1965 but partially blocked over the last decade.

The main problem is that the self-managing enterprises have been overburdened by financial demands from society as a whole while the price mechanism has been distorted by various forms of subsidies and administrative prices. Now the intention is to sweep away many of these restraints and allow freer rein for the play of market forces.

The creation of more competitive conditions internally could well lead to significant labour shedding, a higher rate of bankruptcies and other strains.

It is now, however, recognised that the private sector also has a valuable role to play in creating new jobs.

The aim is to create the sort of legislative framework whereby the private sector can operate more openly, and contribute its fair share to overall revenues as well. The idea is not to replace the self-management socialised sector but to work alongside it or in co-operation with it, especially by providing a more flexible source of components, sub-assemblies and so on. But the biggest expansion is likely to take place in the service sector through small garages and repair shops, plumbing and other domestic services, taxis, transport and small hotels, restaurants and bars. Providing greater scope for investment in the private sector is also seen as a means of encouraging savings. Higher interest rates on savings accounts are also in prospect.

Meanwhile, credit and monetary policies have become increasingly restrictive and a renewed effort is being made to be more selective. A new export credit bank has been set up and banks are under instruction to give priority to exports and for those investments in the energy, raw material and agricultural sectors which can either reduce imports or raise exports. Investment volume as a whole will be restrained.

The hope is that retrenchment and reform now will be a deck-clearing operation which will permit a resumption of rapid but more balanced growth over the rest of the decade.

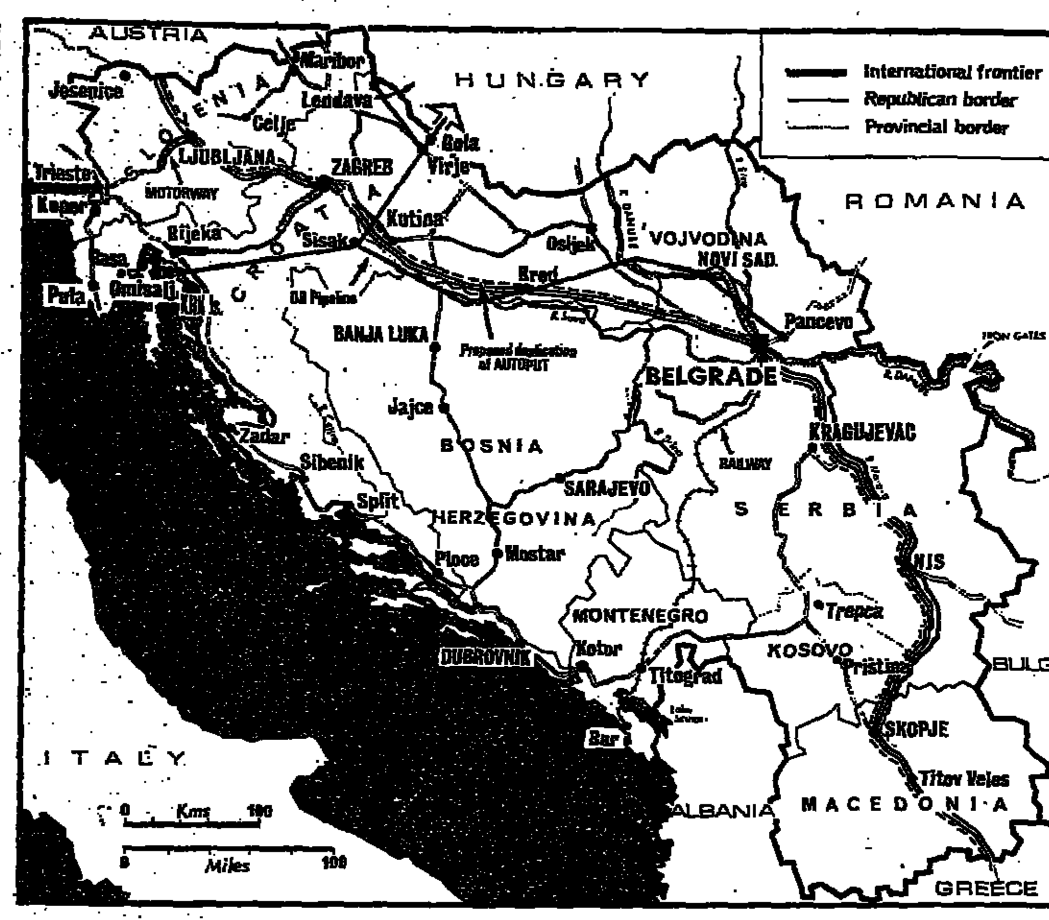
Anthony Robinson

Foreign trade chasing balance of payments

NOTHING concentrates the minds of politicians and businessmen so much as a record balance of trade deficit with little prospect of improvement. This was the situation before the decision earlier this month to devalue the dinar by 30 per cent on top of the ten per cent it had already declined over the first few months of the year.

Last year the trade deficit was \$7.3bn and the balance of payments deficit was more than \$4bn. In the wake of the devaluation government economists are now looking for a 12 to 14 per cent rise in export volume and a similar decline in imports, sufficient to halve the payments deficit to about \$2bn.

For exporters to Yugoslavia the next few months look bleak. Imports of equipment are expected to drop by 50 per cent and consumer goods by 20 per cent as economic growth falls back to around 4 per cent and Yugoslav industry searches around for cheaper, domestically produced, substitutes. Yugoslav exporters on the other hand are being encouraged to take the maximum advantage of the new-found competivity of Yugoslav goods and make a major effort to step up their marketing and promotional efforts.



Even before the devaluation, however, a major drive was under way to improve the external balance.

The value of exports in the first four months increased 39 per cent and that of imports by only 16 per cent, and yet the trade deficit has remained about the same as a year ago, \$2.35bn compared with \$2.4bn. In volume terms exports have increased 16.8 per cent while export prices rose by 19 per cent.

Imports were almost 6 per cent lower in volume while import prices increased by 23 per cent. Yet, as imports are now twice the volume of exports, for every percentage point of higher imports exports have to go up by two percentage points, and that has been very hard to achieve in spite of all the effort to close the gap.

In fact, what has been happening is the result of many years neglect of basic industries and of the emphasis on processing imported raw materials and semi-manufactures, with imported energy which also used to be cheaper than local sources. That became clear at least five years ago during formulation of the current five year plan 1976-1980. This stipulated that priority should be given to the production of energy, raw materials and food. Although that orientation was accepted not enough has been done to implement it, one of the reasons being the lack of finance.

Recognised

It has not been recognised sufficiently that in order to reduce the deficit of the balance of trade, and consequently of the balance of payments in the long run the deficit has to be allowed to rise in the short run. This is because construction of new power plants, new mines, smelters, steel mills and so on, requires huge amounts of both local and international capital and the import of equipment. Gestation periods furthermore are long. Becoming more self-sufficient and reducing the deficit are to a great extent therefore conflicting aims which are very difficult to reconcile.

Returning to this year's foreign trade figures, exports earned \$2.77bn while imports cost \$5.13bn. Thus the deficit amounted to \$2.35bn. Last year's figures for the same months were \$1.99bn for exports, \$4.40bn for imports and \$2.41bn for the trade deficit. The ratio of exports to imports, however, was 53.5 per cent, which favourably compares with only 45.3 per cent a year ago.

Exports of raw material and intermediate materials were 52.6 per cent of the total while imports of the same category were 65.4 per cent of the aggregate. Equipment's share in exports was 15.6 per cent and in imports 23.7 per cent, while the share of consumer goods was 31.8 per cent in exports and only 10.9 per cent in imports. Up to now the drive to curb imports has fallen most heavily on consumer goods. But this not only causes shortages but also runs against the philosophy proclaimed years ago that attempts by local producers to impose high prices be countered by increased imports. The idea was that this would also have favourable influence on product quality and design.

That in turn was supposed to have made Yugoslav manufacturers more competitive abroad. In addition, shortage of imported consumer goods which have no local equivalent reflects unfavourably on tourism which is an increasingly important foreign exchange earner.

While imports of most other groups of products also have been reduced both in value and volume, the cost of oil imports have almost doubled from a year ago. The oil (and gas) bill was \$979.4m compared with \$496.8m a year ago, in spite of saving measures.

Aleksandar Lebl

DEVALUATION of the dinar and the enormous, and on the whole favourable, publicity given to Yugoslavia during the past few months should combine to produce ideal conditions for a record year for tourism.

Estimates of tourism's contribution to the balance of payments range from \$900m to about \$2bn annually. The spread reflects the fact that, up to now, huge amounts of dinar have been changed unofficially on the black market while millions of tourists each year stay with private families in guest houses and small hotels.

Yugoslavia's main advantage is that it is by any standards one of the most varied and beautiful countries in Europe. It is also close to the cities of industrialised Western Europe and the countries of Eastern Europe. It boasts over 1,000 kms of Adriatic coastline, dotted with islands, and indented by fiords. This is the conventional tourist's Yugoslavia. But it also offers Alpine tranquility, winter sports, and a cultural mosaic of infinite variety.

Inland Yugoslavia ranges from the Hapsburg splendours of Ljubliana and Zagreb to the ethnic melting pots of Sarajevo, Mostar and the south generally. Here Catholic, Orthodox, Jewish and Moslem cultures mix in a promiscuous blend of spire and minaret, synagogue and frescoed monastery.

Agreements with EEC give exporters more scope

ON JULY 1 next the new trade agreements between Yugoslavia and the European Community will come into force, although ratification of the agreement as a whole will take much longer, possibly until the end of this year.

The signing of the agreements in Belgrade last April was the final stage of a long process which started three and a half years ago when the representatives of Yugoslavia and the Community signed in Belgrade a joint declaration which proclaimed their intention to strengthen, deepen and diversify co-operation.

Yugoslavs resent hints that the Community consented to sign the agreements on purely political grounds, under the combined impact of President Tito's illness and the Soviet invasion of Afghanistan. Although not denying that those events played an important role, they have concentrated on the fact that both sides have sound economic reasons to broaden their co-operation.

For Yugoslavia the EEC is the most important foreign trade partner. Yugoslavia is also a good market for EEC products. In 1979 it bought goods worth close to \$5bn, while selling only \$1.7bn, or slightly over one-third of imports, so that the trade deficit amounted to some \$3.3bn, or almost half the aggregate trade deficit.

All is well that ends well—that catchline was heard in Belgrade during the ceremonial signature. The question, however, is how good the agreement really is for Yugoslavia. First, it is not such a generous agreement as Brussels wants it to be believed. The original proposal of the EEC Commission was for imports of Yugoslav manufactures to be free with only 20 exceptions. When the Council of Ministers started dealing with that proposal the number of exceptions was increased to about 60 and the final agreement still comprises half of that figure, plus textiles, under a special agreement—altogether close to half the Yugoslav exports.

Financial assistance in the form of loans from the EIB, to be used mainly for road construction from which the EEC will benefit most, is also small, around \$250m. There is also no provision for consultation, so the EEC may unilaterally impose import curbs and other measures harming Yugoslav exports.

Nevertheless, the new agreements give a chance to Yugoslav exporters. In order to succeed they will have to improve their performance. Prices are not competitive enough, quality and design often are less than satisfactory, delivery terms are not always kept and after-sale service is not a strong point.

The Western industrialised countries are Yugoslavia's most important suppliers, but the Socialist countries, mainly within Comecon, are almost as important. In 1979 44 per cent of aggregate exports went to the developed countries, 40.4 per cent to Socialist, and 15.6 per cent to developing countries. On the import side 61 per cent came from developed countries, 25 per cent from Socialist and 14 per cent from developing countries.

Significance

The U.S. market is of growing significance. Trade both ways reached almost \$1.5bn last year. Yugoslav exports were \$370m and imports \$1.05bn.

Comecon, with which Yugoslavia has a special arrangement, has maintained its position as second most important partner. The Soviet Union bought 22 per cent of Yugoslav exports and supplied 14 per cent of imports in 1979. In 1980 trade both ways will exceed \$5bn, but in view of higher crude oil and other prices will be about of the same volume. Yugoslavia and the Soviet Union trade at world market prices, and there are no special terms. For manufactures, however, prices have been negotiated for five-year periods.

Thus the Yugoslav car manufacturer Crvena Zastava of Jevac has a co-operation agreement with the Togliatti car factory in the Soviet Union. It sells parts and components at 1976 prices and gets supplies at the same price. Then it sells them at whatever price the Yugoslav market will bear, thus offsetting higher production costs for its deliveries to the Soviet partner.

Finally, the developing countries have been the favourite Yugoslav trade partners, but the plan's ambitions (to increase their share to 25 per cent by this year) has not been achieved. They still accounted for under 15 per cent in 1979 although the volume and value of trade have gone up in recent years. In the first four months exports to the developing countries were up 80 per cent from last year's corresponding period, and imports higher by 49 per cent. Their share increased to 18 and 16.9 per cent respectively.

Recently Yugoslavia has been trying to penetrate those markets through joint ventures, industrial co-operation agreements, the sale of licences and know-how, especially in the agricultural sectors, and construction work in both the civilian and military sectors. Yugoslav banks have been trying to attract petrodollars and use them for financing Yugoslavia's projects, or projects in third countries.

Aleksandar Lebl

Armed forces prepared for any eventuality

YUGOSLAVIA IS a non-aligned country and, as such, has stood aloof from both the military pacts into which Europe is divided. But for Yugoslavs non-alignment is not the same as equidistance from the two super powers and their respective alliances. Over the past 35 years perceptions of the potential military threat have changed.

In the immediate post-war period conflict over Trieste, support for the communist partisans fighting in the Greek civil war and loyalty to the Soviet Union led to much of the Yugoslav armed forces being deployed on the country's western frontiers. Since then, however, relations with the West have steadily improved, a process culminating in the Treaty of Osimo signed between Italy and Yugoslavia in 1976, and several five-year trade agreements with the EEC.

Normalisation of relations with Italy led to a reduction in troop levels guarding the strategic Ljubliana gap. This has permitted a re-grouping which has concentrated Yugoslav forces on the task of strengthening defences against a hypothetical attack from Warsaw Pact forces.

Invaded

This is not to say that Yugoslavia believes that an armed attack, from any direction, is likely in the foreseeable future. But the current military leadership belongs to that generation which experienced the dismemberment of Yugoslavia in 1941. Then the country was invaded by Italian, Hungarian, Bulgarian and German forces. It also remembers the role which the armed forces, and the convincing Yugoslav determination to fight, played in pursuading Stalin to stop short of military intervention in 1948 following Yugoslavia's expulsion from Cominform.

The history of Yugoslav-Soviet relations since then has done little to change the belief of most Yugoslavs that the Soviet Union would like to see Yugoslavia back within its sphere of influence, if at all possible. Keeping the Soviet Union at bay is seen principally as a political and economic problem. But military contingency plans are concerned with the potential military risks.

The main lines of Yugoslav strategy closely follow the partisan war philosophy evolved during the last war. The main purpose is to deter any potential aggressor firstly by making clear that, if attacked, Yugoslavia would fight and secondly by denying any hopes of a quick victory.

In the event of a Warsaw Pact attack on Yugoslavia the most probable battle plan would consist of a two-pronged attack, with a frontal tank assault backed by air cover across the Hungarian plain coupled with a diversionary attack through Bulgaria.

The topography is such that Yugoslavia's main cities, Zagreb and Belgrade, are both physically vulnerable, they both lie on the very edge of the Hungarian plain which stretches into the Yugoslav granary province of the Vojvodina. It is ideal tank and blitzkrieg country, unlike the rest of Yugoslavia which is mountainous and ideal for guerrilla warfare. Given the nature of the terrain, the first lines of defence are basically little more than a trip wire.

Yugoslavia's 1,500 ageing Soviet designed T34/54/55 tanks and mainly Soviet anti-tank missiles, backed up by an airforce of elderly Mig 21s and other combat aircraft of the same generation could not hope to repulse a really determined attack across the Hungarian plain for very long. Their main purpose is to provide the necessary minimum of time to broadcast news of aggression to the world at large and give time for the full mobilisation of the reserves and All-peoples defence force.

Backbone

All-peoples defence is the backbone of Yugoslav defence strategy. Arms and equipment are stored in factories, work places and special caches all over the country backed up by aircraft and heavier equipment in underground hangars and stores. Members of the territorial defence forces know in advance their rendezvous and liaison points, their specific functions in case of war or emergency and where to pick up the arms they need.

Behind them they have not only the powerful myth of Tito's successful partisan resistance during the 1939-45 war but also a centuries-long tradition of fierce defence in the mountain fastnesses of this rugged country.

Whether the younger generation of mainly town-bred citizen-soldiers would prove as hardy and resilient as the mainly peasant armies of the partisan war can only be speculated upon.

But Western military attaches believe that training of conscripts is thorough and casual observance by the layman of the Yugoslav army gives an impression of toughness.

The regular armer forces of 259,000, including 145,000 conscripts, form a small, but highly-professional cadre. They are backed up by 500,000 reservists, 16,000 frontier guards and the over 1m strong All peoples defence forces. The latter are made up mostly by citizens who have undergone 15 months of conscription training and regular freshener courses.

Officially, Yugoslavia spent \$2.8bn last year on its armed forces, about 7 per cent of its GNP. This is much higher than most Western countries but not enough to pay for the kind of modernisation required to match the updated weapons which have been steadily introduced by the Warsaw Pact countries over the last decade. The air force needs new interceptor fighters, early warning systems and missiles. Most of the army's tanks are obsolescent Soviet designed T 34s and 54s and it needs modern anti-tank and anti-aircraft missiles to replace the 10-year-old Soviet Sagger and other missiles and anti-aircraft guns.

The problem is that modernisation of the armed forces on a major scale would strain the economy as a whole enormously. This in turn would create social and political problems which would probably be more serious than the risk of military attack. Under these circumstances the most likely future policy is one of gradual modernisation within tight economic limits coupled with maintaining the credibility of the All-peoples defence capacity in the country as a whole.

Anthony Robinson

The regular armed forces are backed up by reservists and the 1m-strong All Peoples Defence forces

Internal security continues to have high priority

ONE OF President Tito's favourite pieces of advice to the Yugoslav people was that they should live as if peace would last for ever but prepare as if war could start tomorrow. It is thanks to that principle that Yugoslavia now faces the post-Tito era with a highly-organised system of both external defence and internal security.

During the 35 years of Tito's rule the country developed from a form of Yugoslav Stalinism, with police-state powers for the security forces, to the present highly-devolved structure. Throughout this period however both the armed forces and the security organs have remained a high priority.

Given Yugoslavia's history and ethnic-cultural diversity external and internal security are naturally perceived as being closely linked.

In 1948 mobilisation of the armed forces and border guards was accompanied by a policy of ruthless suppression of pro-Soviet cominformists as well as suspected sympathisers of the old regime. By the mid-1960s the security establishment, led by secret police chief Alexander Rankovic, one of Tito's wartime inner group, appeared to be actively opposing the economic and social reforms then under way and to have formed a power group in its own right.

Abuse of its powers even extended to the bugging of Tito's bedroom. Tito reacted in fury, dismissed Rankovic and reformed the security apparatus, placing it under closer party supervision in the process. In 1971 however, during the so-called "Croatian euphoria" Tito appeared to have doubts about the ability of the internal security apparatus alone to maintain order. He openly reminded Yugoslavs in two major speeches that the army was not only there to defend Yugoslavia from foreign enemies but also "to defend the achievements of the revolution within the country."

In this way the role of the armed forces and security establishment as the ultimate defenders of Yugoslavia's territorial integrity and the Yugoslav revolution has been clearly defined. The importance of these institutions has been reflected in their exemption from the principle of revolving collective leaderships.

Gen. Nikola Ljubicic, the Minister of Defence, has been in the job since 1967 without a break while Gen. Franjo Herljevic has been Minister of the Interior, and therefore head of the secret police and security apparatus, since 1974.

Gen. Ljubicic is a Serb, as are more than 70 per cent of the officers in the 259,000-strong regular armed forces. He also represents the armed forces point of view in the 23-man collective party praesidium. In June last year, however, Tito appointed Gen. Ivan Dolnicar, a 59-year-old Slovene, as secretary-general of the eight-man collective state presidency. This partially reflected the need to ensure that traditional Serb and Montenegrin propenderance in the armed forces does not go too far.

The need for the correct balance between nationalities is also at least partially reflected in the choice of Gen. Herljevic to command the security forces. He is a Croat from the most ethnically mixed region of Bosnia-Herzegovina, while another Croat, Gen. Ivan Miskovic, was appointed last year as President of the Council for Civil Defence.

There is a school of thought which looks at traditional Serb dominance of the armed forces and the equally traditional sympathy of Serbs for Russians and sees a potential security risk in the equation. However, the armed forces, and the security establishment, have been brought up over the last 30 years to see the Soviet Union as the main ideological and potentially military threat to Yugoslavia's chosen path.

Gen. Ljubicic himself is one of the very few military leaders to have received at least part of their training in the Soviet Union. He graduated from the Frunze military academy in 1947—a year before the decisive break. Since then Yugoslav officers have been trained at home, imbued with the spirit of All-peoples defence and become familiar with both Soviet, NATO and Yugoslav's own home-grown defence equipment.

Conservative

Like military and security people all over the world, Yugoslav soldiers and policemen are basically conservative in outlook, seeing themselves as defenders of the established order. That order is represented politically by the League of Communists and its representatives in government throughout the republics and collective leadership bodies.

One noticeable feature of the last party congress in 1978 was the increased emphasis placed on ensuring the full participation of the armed forces and security in the life of the party. The aim of this policy is to make the security forces an integral part of the Yugoslav system rather than separate entities and potentially separate power centres.

In this role they are likely to be voices of caution and balance as Yugoslavia works towards a viable shape for the 1980s and beyond without the charismatic leadership represented by President Tito for 35 years.

A.R.

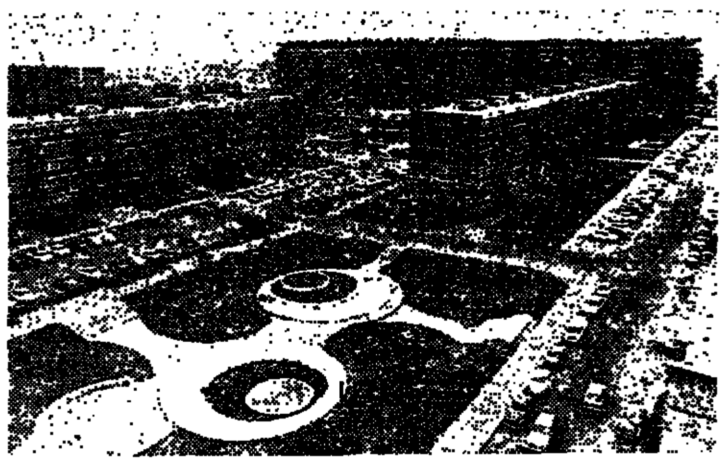
Between liberty and authority: the Yugoslav tightrope

THE SIZE and scope of Yugoslavia's internal security establishment is a well-kept secret. Certainly it has been successful in maintaining a low public profile and Yugoslavs enjoy a degree of personal liberty which compares highly favourably with conditions throughout Soviet-dominated Eastern Europe.

One of the most highly-prized liberties is freedom of movement. Yugoslavs possess their own passports, are free to travel abroad, and are allowed to live and work abroad for as long as they like. The Press and media are also relatively free and outspoken, a freedom which extends to the sale of mildly pornographic material and open discussion of economic shortcomings but which does not include the right to criticise the fundamental principles of the one-party system or advocate heretical ideas such as support for a multi-party "bourgeois" democracy.

Reporting of foreign affairs also tends to closely follow the official line, although this is generally sophisticated enough to allow well informed commentaries and news on Soviet and other communist countries as well as from the Third World and the West. Press comment is frequently outspoken enough to provoke heated Soviet protests, as for example over the invasion of Afghanistan and the Soviet-backed Vietnamese takeover of Cambodia.

Criticism is fairly even-handed, however. The U.S. came under sustained attack during the Vietnam war and more recently for its recent abortive Teheran hostage rescue operation. British policy in Northern Ireland and Rhodesia has also been strongly criticised, although pique at the British refusal to allow a group of Yugoslav observers permission to monitor the elections soon turned to praise when the Rhodesian election result and transition of power to the Mugabe Government took place.



Yugoslavia has changed gradually into an increasingly urban society. Above: workers' apartments in New Belgrade

Over the years the militant atheism of the immediate post-war period has also given way to greater religious tolerance although access to the media is highly restricted. The biggest circulation religious publication is the Zagreb bi-weekly Glas Koncila whose 110,000 copies are on sale in the churches of predominantly Catholic Croatia. The church in Slovenia produces its own Slovene language publication Druzina which is also on sale exclusively in the churches.

A recurrent source of irritation is the consistent refusal of the civil authorities to provide building licences for new churches, specially in the fast growing city suburbs. Such permission is more readily forthcoming, however, in rural areas of declining population, particularly in Bosnia. The Church also protests against the restrictions on practising believers holding important posts in the civil administration and the monopoly of political power held by the ubiquitous League of Communists.

In spite of the complaints of the Catholic Church, and the feeling that it receives far less support from the Vatican than the church in other, more orthodox Communist countries like Poland and Czechoslovakia, church bells throughout the Catholic parts of Yugoslavia tolled in mourning during President Tito's funeral and prayers were said for "the future of Yugoslavia" after his death.

Interventions

Of greater concern to the security apparatus in recent times has been the resurgence of a more militant feeling among the estimated 3m Moslem inhabitants of Yugoslavia, and in Albanian-speaking Kosovo province where 50 people were recently arrested for allegedly supporting the idea of union with Albania. One of President Tito's last political interventions was in Bosnia where he criticised what he called "the undermining activities of some clericalist circles."

On the political front Yugoslavia too has its share of dissidents from the official Communist orthodoxy, of whom the most famous are the writer and ex-member of the party inner circle Milovan Djilas and the writer-philosopher Mihailo Mihailov. After spending over ten years in jail Mr. Djilas now lives quietly in Belgrade writing books and articles which are published abroad but banned in Yugoslavia. He was deprived of his passport years ago and was recently fined and warned for publishing an article in a Yugolsav Samizdat publication.

Even Marxist and other left-wing thinkers have to watch their step. The critical discussion of literary and political themes published by the Zagreb Praxis group was banned by the authorities in the wake of the outbreak of national and liberal thinking which surfaced first in Croatia and then in Serbia at the beginning of the last decade.

It is too early to say whether the post-Tito era will lead to greater freedom of expression for minority and unorthodox views. But the indications are that a much wider and deeper debate on economic matters at least is now developing in Yugoslavia. This is principally concerned with the extent to which market forces should be used to determine economic priorities and this has much wider social and political implications for the future of Yugoslav society.

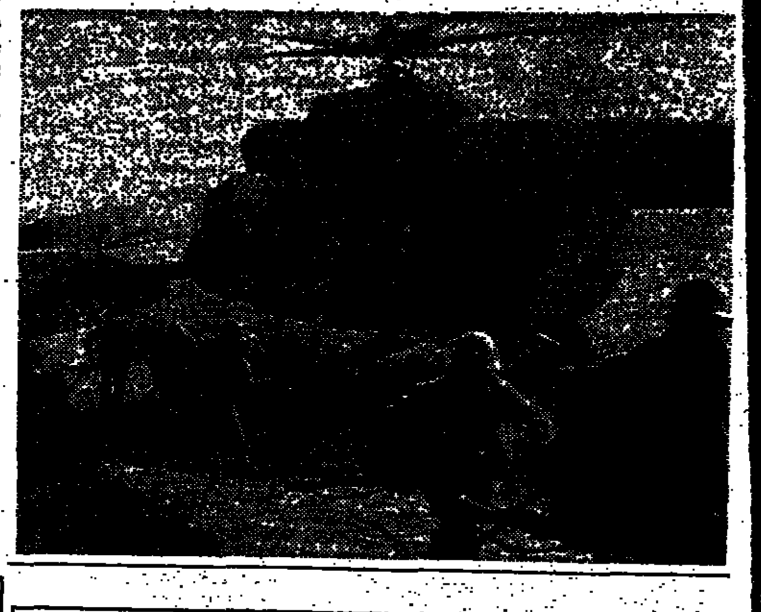
Over the last 35 years Yugoslav society has changed and matured substantially as the country has been transformed into an increasingly urbanised and industrialised community. The underlying ethnic and cultural complexity of the country remains, however, and one of the main tasks of the security apparatus appears to be that of keeping close tabs on the various emigré nationalist organisations which remain deeply hostile to the whole idea of Communist Yugoslavia. This surveillance is not limited to Yugoslavia itself but also extends to the Yugoslav emigré communities which are specially large in West Germany, France, the United States and Australia.

Most Yugoslavs abroad are as loyal to the system as their compatriots within the country. But hostile emigré organisations of Croatian nationalists and others have long been engaged in a terror campaign against Yugoslav diplomats and Yugoslav representative offices abroad.

One of the latest incidents involved the bombing of the Yugobanka representative office in New York during the recent St. Patrick's day parade, coupled with a hostile Press campaign by the banned Croatian National Congress. This provoked a diplomatic protest to the U.S. Government. President Carter went out of his way to assure Yugoslavia that the U.S. Government deplored such activities and would not countenance their launching from or on U.S. territory. West Germany has given similar assurances although its refusal to extradite eight suspected terrorists two years ago provoked another diplomatic incident.

The main security risk behind such organisations is seen in the possibility that they could be used by foreign powers to undermine the cohesion of the Yugoslav federal state. This remains the principal concern of the security services.

A.R.



Self-management: pillar of the system

FOR 30 YEARS the philosophy of self-management has been the symbol of all things Yugoslav. It is one of the pillars of the Titoist system although its ideological roots go much further back in time to the Utopian Socialists, the French Communards and all those great 19th-century socialist thinkers from Proudhon to Marx.

Ironically, however, the real midwife to its birth in Yugoslavia was Joseph Stalin, one of the most ruthless centralisers of all time who promptly denounced the Yugoslav experiment as further proof of Yugoslavia's fall from socialist grace.

Until the split with Stalin in 1948 Yugoslavia was an state-controlled as any other economy in Western Europe. But the traumatic divorce from the motherland of socialism sparked off that constant search for an authentically Yugoslav interpretation of the sacred texts which has left Yugoslavia as arguably the most genuinely socialist country now in existence.

Tito himself needed a lot of persuasion to agree to the self-management principle. He was finally persuaded when his top party ideologist Edward Kardelj, a close friend, reminded him that it was Lenin himself who coined the phrase "factories to the workers." Lenin, of course, said a good many things—including "land to the peasants," but not many of those early slogans lasted long in the Soviet Union itself where rigid state planning and brutal collectivisation imposed by Stalin still form the basis of the system today.

For Yugoslavia, however, the simultaneous return of land to the peasants and factories to the workers marked the beginning of an experiment in economic democracy which has clearly distinguished it from developments in both the "capitalist" West and "socialist" East.

Like everything else in Yugoslavia, both the theory and practice of self-management have undergone a constant process of change and adjustment over the years. But self-management has not only been the object of frequent changes of law and interpretation, it has also provided one of the essential elements of flexibility which has allowed Yugoslavia to bring about reforms which have been blocked for decades elsewhere throughout Eastern Europe. It now looks as though another round of reform is about to start.

Efficiency

The decentralisation of economic power and the devolution of greater power and responsibilities to the self-managing enterprises and their professional managers made it possible to undertake the watershed reforms of 1965 which, with the aid of technical advice and financial assistance from the IMF and World Bank, introduced market disciplines to the Yugoslav economy. It did away with many of the bureaucratic controls and administrative decrees which had distorted the economy and fostered low productivity until then.

In the ensuing years productivity and efficiency rose rapidly as enterprises adjusted to producing for the market and calculating their inputs and products at market prices. Forced to compete for business, the self-managing enterprises reacted by shedding labour, raising investment, seeking out joint venture partners and turning the Yugoslav economy into a working form of market socialism.

Fortunately, those reforms coincided with the general boom in Western Europe which provided alternative employment in Western Europe, mainly from West Germany, for over 1m unemployed Yugoslavs and their families. This not only reduced the pressure on the Yugoslav economy and labour market, it also provided a vital inflow of hard currency remittances.

There are many influential Yugoslav economists, bankers and politicians who believe that the country's economy now requires a new round of reforms which will take up where the last reform left off. Social discontent over unemployment and political unease at the power accumulated by the banks and enterprises led to a brake on the whole process, and the sacking of many of the most dynamic managers as part of the political purges after the outbreak of so-called "nationalist euphoria" in the early 1970s.

Evidence has been accumulating over the last five years, however, that the economy has been losing much of its former vitality—in spite of rapid economic growth rates, high investment and the creation of about 1.5m new jobs. Export volume has stagnated for the last four or five years; priority has been given to raising employment rather than productivity. A plethora of new legislation, a new constitution and the establishment of a whole series of new bureaucracies in the economic and social spheres has contributed to high inflation and a significant deterioration in the balance of trade and payments.

All this reflects the continuing existence of the dilemma which lies behind attempts to reform a socialist system. Yugoslavia has gone furthest along the path away from totalitarian state and party control over all aspects of social, economic and cultural as well as political life. The self-management principle has not only been applied to the enterprises, banks and services but also to local government, education, health and other fields.

But many enterpries have complained about the economic burden placed upon them by demands not only from the residual Federal Government, which is mainly responsible for defence, the national currency, internal security and foreign relations, but also from all the self-managing bodies in the health, welfare and social service sphere.

At the same time, the deterioration in the balance of payments has spawned another bureaucratic layer, formed by the so-called self-managing communities of interest for foreign relations, or SIZ as they are known by their Serbo-Croat acronyms. To further complicate matters there is not just one SIZ for the whole of Yugoslavia charged with the task of allocating hard currency funds, encouraging exports and curbing imports throughout the whole country, but one for each of the six republics and two autonomous provinces. This is in line with the geographical devolution of power which has been the other major development in Yugoslav affairs over the past decade.

Loyalties

The raison d'etre behind this devolution of powers has been that of satisfying local and republican loyalties as the safest and most reliable way of defusing lingering separarist tendencies and ensuring loyalty to united federal Yugoslavia. But, as one young government economist wryly commented, the creation of a network of Republican SIZ's, each with responsibility for their own balance of payments, tends to make each of Yugoslavia's component parts look and think increasingly like sovereign states in their own right, with much of the framework for an independent existence already in place.

What all this means is that what may generically be termed the "pragmatists" in the Yugoslav political and economic establishment have now come round to the view that a new departure is now required to simplify the system, shake out the dead wood in the economy and trim the bureaucratic accretions of the last few years. One of the most eloquent spokesmen of this new mood is the historian and Croatian central committee member Prof. Dusan Bilandzic.

He summed up the choice facing Yugoslavia in his recent book The History of the Socialist Federal Republic of Yugoslavia. As he sees the situation: "In the long run the present situation cannot survive. Either, because of existing problems in the economy even stronger administrative measures will have to be introduced, or we will have to strengthen the laws of the market economy. There is no third possibility."

He added that "if, under the present circumstances, which are different both politically and economically from those prevailing in the 1965 economic reforms, we were to give much more play to the laws of the market economy, this would have a much different effect than 15 years ago."

In essence what he, and an influential part of both economic, financial and political opinion, argues is that the self-managing enterprises must be allowed to get on with the job of producing at a profit, satisfying demands as directed by the market. They must be released from both the bureaucratic controls and the economic burdens which they now face and which effectively "socialise the losses of the inefficient and nationalises the profits of the efficient."

If all this sounds faintly like the shades of Thatcherism Yugoslav-style, the difference is that the bulk of Yugoslav enterprises would continue to be socially owned, self-managed enterprises, albeit working in a more competitive and untrammelled fashion free both to spend and invest their own profits—and go to the wall if they fail to do so.

Alongside this socially-owned sector, however, Yugoslavia is also preparing to extend the area of private enterprise under legislation, similar to that already passed in Slovenia, which would encourage small entrepreneurs to use their skills and capital to improve small service industries and develop small scale sub-contracting industries to provide the flexibility which the present system lacks.

Anthony Robinson

Farmers encouraged to form co-operatives

AGRICULTURE'S ROLE in reducing Yugoslavia's import bill, raising exports and providing employment away from the congested cities has become an increasingly important part of the country's overall economic strategy in recent years. Thanks to the successful conclusion of negotiations for a new five-year trade agreement with the Common Market, farmers are now preparing to step up their exports of veal and other products to the European market, from which they had been virutally excluded.

In common with other industrialising countries agriculture's share of the Gross National Product (GNP) and total employment has dropped steadily over the last 30 years. But agriculture is still by far the biggest single employer. Over 4.2m people work on the small privately owned peasant holdings which form the basis of the system, while a further 385,000 people are employed in the large, capital-intensive agro-industrial "Kombinats" and in the food and tobacco processing industries. Between them they account for around 14 per cent of the "social product," the socialist equivalent of GNP.

After a disastrous and ideologically inspired attempt to collectivise agriculture along Soviet lines in the immediate post-war period, the whole policy was thrown into reverse and land was given back to the peasant farmers. By law the maximum holding has been limited to 10 hectares per farmer—except in mountainous areas, where the limit is higher.

Advances

In practice, however, many family holdings are larger than that because of the pooling of family holdings. Furthermore, it is widely recognised that the optimum size of private farms is far higher than the present legal maximum because of the technological advances in farm mechanisation, irrigation, fertilisers and other areas.

Apart from the pooling of family holdings and rationalisation of the strip farming system so as to allow fuller mechanisation, private farmers have also been encouraged to group together in farmers' co-operatives and in many areas to work closely with nearby agro-industrial Kombinats. This frequently involves common purchase of seeds and fertilisers, pooling of tractors and farm implements and the sale of private farm produce direct to the agro-combinats for processing or marketing. The agro-combinats themselves have meanwhile tended to extend their operations into retailing and the tourist industry.

Up to 1973 the bulk of investment in agriculture was channelled into the socialised sector typified by the agro-combinats. This is reflected in the fact that the latter employ only around 10 per cent of the total agricultural labour force yet produce over 30 per cent of the country's food. This is partly a function of higher capital intensity and partly a reflection of the fact that many of the large kombinats are to be found on the flattest and most fertile areas, particularly in the Vojvodina and parts of Croatia.

In the more industrialised areas of Slovenia and Croatia in particular many private farms are tended on part-time basis by farmers who spend most of their time working in nearby industrial plants. This is particularly so around the major cities. But the spread of industry throughout the country has greatly improved the possibilities for such dual employment.

Balanced

Increasingly, however, sociologists and economists alike have come to recognise the importance of the agricultural sector in achieving a more balanced spread of population and as a source of employment. Rapid overall economic growth has led to the creation of over 1.3m new jobs in the economy over the last eight years. But this has still not been enough to compensate fully for the natural growth in population and the drift from the countryside.

Encouraged by higher prices and the new opportunities now opening up for agricultural exports farmers appear to be making a major effort to raise production this year. Spring sowing took place over 4.5m hectares, much higher than usual, reflecting both higher prices last year and unfulfilled winter cereal planting because of bad weather. Maize production has become the main Yugoslav success story, thanks to new high yield hybrids and extensive irrigation. Over 2.5m hectares have been sown with maize this year and this should produce around 10.7m tons. By the end of the decade planners estimate that Yugoslavia could produce close to 20m tons in a good harvest year.

A rainy spring and early summer has provided ample fodder for cattle feeding and overall meat output this year is expected to rise to 1,286,000 tonnes compared with 1,144,000 in 1978. Beef accounts for over 20 per cent of the total and pork over 30 per cent. Maize and beef are prime agricultural exports, but great attention is now being paid to the expansion of edible oils and seeds and industrial crops like sugar and tobacco with an eye on export markets.

By 1985 the sugar industry cartel Jugosecer expects sugar production to rise above 1m tonnes, giving an exportable surplus of around 200,000 tonnes annually. A major question mark over these targets, however, has been posed by the energy shortage as sugar refineries have been forced to operate below target due to power cuts and voltage reductions.

Greater acreages are, however, now being devoted to higher yielding sunflowers, rapeseed, soya beans and olives as part of the effort to develop export cash crops and industrial raw materials. Vineyards and wine production is also rising steadily and this trend is being encouraged by agricultural loans from the World Bank as well as higher priority now being accorded to the farming sector by Yugoslav credit institutes as well.

The World Bank has shown particular interest in the development of Yugoslav agriculture, and particularly the private sector. According to the bank's calculations the country's 2.6m private farms developed at only one-sixth of the rate of the socialised sector in the first two post-war decades, mainly because the socialised sector received 16 times the capital investment per hectare and most of the available technical expertise. Since 1973, however, when the Federal government approved the so-called "green plan" both sectors of agriculture were supposed to receive equal treatment. This paved the way for substantial World Bank lending to both sectors.

World Bank lending furthermore has been concentrated in the poorest areas of the poorest republics—Macedonia, Bosnia, Herzegovina and Kosovo. The first agricultural loan of $31m in 1973 went to the development of meat and dairy farms in Macedonia followed by a subsequent $24m facility in 1977, which included the financing of 88 agronomists to provide extension services to private farmers.

The bank strategy as it has developed involves loans to build up production by private farmers coupled with loans to the socialised sector to build up processing facilities and marketing skills.

Potential

A major $50m loan to the Vojvodina and Kosovo in 1975 followed by a second tranche of $75m in 1977 was used to develop dairy farming, cattle fattening, vegetable production, irrigation and food processing facilities in the richest arable area of Yugoslavia and also develop private farming and infrastructure in Kosovo, the country's poorest province, which nonetheless has considerable agricultural potential.

Similar assistance has been given to Montenegro, where the bulk of a $26m facility has been used to develop vineyards on the formerly barren Cemovsko Polje plain near Titograd. The most extensive programme of agricultural assistance, however, is that taking place in Bosnia-Herzegovina where the EBRD world bank contributed $55m to a massive $204m venture co-financed by French and Japanese banks for the development of agriculture and co-operation between the private and socialised sector in the north-west of the republic in an area badly hit by earthquakes in 1969.

A.R.

GRAIN YIELDS

('000 tonnes)

	1974	1975	1976	1977	1978	1979	1980 (plan)
Wheat	6,282	4,404	5,979	5,595	5,355	4,512	6,001
Rye	120	98	105	87	81	81	114
Barley	794	703	653	650	560	621	710
Oats	353	368	320	309	284	283	417
Maize	8,031	9,389	9,106	9,870	7,585	ca 10m	10,700

BEET AND SUGAR PRODUCTION

('000 tonnes)

Beet	4,300	4,313	4,711	5,287	5,157	6,000	6,700
Sugar	462	534	577	667	693	789	860

Source: Yugoslav Statistical Yearbook

PKB complex a showcase for agriculture

JUST TEN miles from Belgrade across the Danube lies what is internationally recognised to be one of the most innovative and efficient agro-industrial complexes in Yugoslavia and the world. This is the Poljoprivredni Kombinat Beograd (PKB). On its own this complex of farms, cattle-raising stations and food processing industries provides Belgrade, a city of more than 1m inhabitants, with 40 per cent of its meat and 90 per cent of its milk and milk products. At the same time it also supplies its own downstream network of 620 retail outlets, tourist complexes and hotels. It also exploited food products, high quality seeds and technical know-how worth $214m in 1978.

In many ways it is the showcase of Yugoslav socialised agriculture and is regularly visted by visiting Heads of State and other dignitaries. Two of the most notable guests in recent years have been China's Chairman Hua Guofeng and the Soviet Prime Minister Alexei Kosygin. The latter stayed for hours to try and find out why Yugoslavia appeared to be succeeding in creating the kind of high efficiency, scentific agro-industrial complex where the Soviet Union has so signally failed despite massive injections of capital into the farming sector for over a decade.

The core of the 100,000-hectare complex is 26,000 hectares of former swamp land in the Danube flood zone which was reclaimed as a top priority in the immediate post-war years. President Tito himself visited the complex 19 times in his long period of office. He based much of his conviction about the potential of Yugoslav agriculture on his lengthy talks and inspection tours in the company of the complex's chairman Mr. Peter Zecevic, the man who has presided over the development of PKB since its earliest days. Mr. Zecevic is one of those quiet spoken, dedicated men whose readiness to experiment and desire to persuade rather than command form the backbone not only of a complex like PKB but also many of Yugoslavia's other economic units and institutions.

Yugoslavia tried the Soviet system of coercing farmers into collective farms in the 1940s, recognised its total unsuitability and returned most of the land back to the peasants. PKB and a handful of other large units remained and developed to form what have now become the focal points of a fruitful and voluntary co-operative relationship between agro-industry and private farmers.

Recycled

PKB itself works on the principle of closed circuit integrated farming. The basic aim of the enterprise is to raise both crops and livestock and then process the primary products in such a way as to create a self-sustaining cycle whereby waste products from one process can be recycled to form the raw material for another. On-farm factories process the food into a wide variety of meat, dairy, fruit, wine and processed or frozen foods plus concentrated fodder and feedstuffs for livestock. The latest innovation is a joint-venture with Unilever to produce 40,000 tons of frozen prepared meals annually.

The proximity of Belgrade and the desire to obtain the maximum value added through distribution and marketing as well as processing extended the cycle right through to the final consumer, either in direct outlet shops or through the Kombinat's own tourist facilities on the Adriatic coast.

Last year the 23,600 employed in the Kombinat produced a turnover of around $1.4bn and an average monthly income of around $300, roughly the average industrial wage, but far higher than most farm incomes. Over 1,700 of the total labour force are graduates and technicians.

This reflects the fact that PKB is also one of Yugoslavia's most efficient applied agricultural research and development organisations. Cattle breeding and the development of resistant high-yield maize and other seeds form the most important branches of research and development. But the Kombinat's design staff also do design engineering and consultancy work for a growing number of countries wanting to emulate the PKB experience in their own countries.

A.R.

LOMBARD

The Pru places its chips

BY CHRISTOPHER LORENZ

IT IS almost as if the City has decided to put Sir Keith Joseph out of his misery, and restore his apparently wavering faith in the willingness of the private sector to develop and exploit new technology, thereby helping Britain to survive in the world's industrial rat-race.

On Monday the Industry Secretary suggested to the National Economic Development Council that it may, after all, be necessary for even a Tory Government to provide State support for industrial innovation, in its various stages—not only to stimulate more basic research, but also to accelerate the development and introduction of new products and processes.

Yesterday Britain's largest single investor in quoted securities, Prudential Assurance, came up with its own way of providing finance for companies—especially small and medium-sized ones—which are unable or unwilling to fund sufficient research and development projects to ensure their long-term survival in the market place.

White heat

Of course, the Pru has been hatching its plan for many months, and is not putting up £20m simply to steady Sir Keith's nerves. Nor, on its own, will its initiative generate much technological white heat in national terms.

Yet its action is both courageous and significant, for industry as a whole as well as for the City. It is courageous in purely financial terms because the Pru is prepared to wait rather longer than usual to secure a commercial return from its investment: some of the projects in which its new Prutech subsidiary will invest are expected to produce no return at all for at least five years, and some for as much as a decade. This shows that the Pru understands the basic rules of the technological game, but it is highly innovative stuff from a traditionally conservative City.

The move is equally courageous for its tacit recognition that, while it possesses an unusually strong investment research team, the Pru needs outside advice on technological issues.

There is plenty of evidence of the City's general technological ignorance, for example, the violence with which technology-based companies tend, as a group, to swing in and out of fashion on the stock market: more specifically, the short-term view generally taken of the few long-standing technological favourites (Racal, ICL); and, needless to say, the record losses now faced by Lloyd's over computer leasing contracts.

Now, by going into partnership with one of Britain's most highly-powered centres of technological excellence—Patscentre, a laboratory and consultancy subsidiary of P.A. International—the man from the Pru is charting a course round the problem.

It is always possible that the new venture is little more than political window-dressing in the face of the current fashion for small companies and the imminent publication of the Wilson Committee's report. Over the last two years there have been plenty of venture capital projects which smacked strongly of such a motivation.

In this case, the Pru deserves more charitable mention. Not only would £20m be a large amount of money to commit to a publicity stunt, but Patscentre is convinced the Pru is in earnest—which is more than can be said of its view of some of the similar partnership projects put to it by other financial institutions over the last year or two.

One of the things that swayed PA into acceptance was its realisation that the Pru really is prepared to wait for a return; without this, almost any investment in the development of high technology products and systems is doomed to failure—a point that many venture capital organisations have still to learn.

Once he has got over his initial delight, Sir Keith may begin to wonder whether the Pru is effectively trying to pull the rug from under the feet of the long-established National Research Development Corporation, which exists to help individuals and companies exploit bright technological ideas. Though the Pru would deny such an aim, in one sense its venture will have the edge over the NRDC, since on some technologies Patscentre possesses greater in-house expertise and resources.

Charles II china and chips

BY PETER CARTWRIGHT

THERE ARE plans for Worcester, the historic city where Charles II was proclaimed King, to become a 20th century centre of European microchip technology. This development is the hope of the Worcester Industrialists' Association.

The association is preparing to lobby its Member of Parliament, Mr. Peter Walker, Agriculture Minister, to seek Government assistance to encourage an electronics industry and will be discussing the possibility of EEC help with Mr. James Scott Hopkin, the area's Euro-MP.

Before Worcester can become a major centre for micro-technology in the years ahead, however, its citizens, and their representative bodies in the "County of the City of Worcester" will have to overcome a schizophrenic outlook which has hampered both the development of tourism and industry up to now.

Considering its rich historical past, a strong cultural background expressed in the Three Choirs Festival (and a Shaw and Elgar festival at nearby Malvern) and the advantages of a navigable river and adjacent motorway, it is surprising that tourism has been marketed with such a faint heart.

Worcester is, after all, in the same broad tourist belt as Stratford-upon-Avon and Broadway, and has much to show. The most magnificent cathedral in the West Midlands, and other buildings that survived the Civil War. The Washington family arms, three stars and two stripes, from which developed the United States flag, can be seen on the tomb of Henry Washington's daughter, Penelope, in Wickhamford Church, near Evesham. Her father, an ancestor of the great George Washington, was a royalist colonel who in 1646 defended Warwick against the forces of Parliament until running out of ammunition after four months.

Yet respect for history and a sense of environment seem to have troubled past civic leaders very little: it failed to curb the more exuberant spirits hell bent on renaissance through re-development. Some fine old buildings met a royalists' fate and had to capitulate, albeit to the bulldozer. There was a time when Worcester looked in parts distinctly tatty — neither historically nor culturally proud nor industrially noteworthy. A report on towns of historic interest criticised Worcester for falling short of preserving its heritage, and so has the Heart of England Tourist Board.

Evidence of a changed attitude has emerged recently and was confirmed at the beginning of May by Mr. George Randall, leader of the Labour group which won control of the council for the first time at elections last month. A major programme of work includes renovation of old buildings, and an architect design award scheme.

Early this century the city was marketing itself vigorously abroad as an industrial centre. Its principal products then were making porcelain and sauces,

AROUND BRITAIN

WORCESTER

gloves and carpets, stained glass and japanned goods, with mining machinery and a railway repair shop among the heavies.

"The Industrial Advantages of Worcester, England," was published in 1909 in French and German. But this kind of initiative appears to have been swallowed up in two world wars, though new industries like machine tools were attracted to the City. Since then names like Archdale and H. W. Ward, Redman Heenan and Hygena have either disappeared or narrowly avoided going down. Today the industrial outlook is better than in the mid-1970s and many new names, some multinational companies, now have a Worcester address.

This is due to closer collaboration between the Industrialists' Association, the Chamber of Commerce (which in the past has been more concerned with tradesmen) and the efforts of one or two individual companies which have set up training schools to ease the introduction of new technology like numerically-controlled (NC) machine tools.

The area, in fact, has a greater reservoir of technical skills than appears at first sight. But the practical application in industries has been lacking. The Royal Signals and Radar Establishment which has a history of pioneering achievement is only a few miles away at Malvern and a thrusting young firm called Vectronics is marketing advanced electronic equipment for micro-circuitry in the city. It is a measure of technological progress in the machine tool and engineering industries in using computers and chips that three multinational companies are considering making it a base for computerised administration. Yamazaki, which makes computer NC capstans, basic machine tools, has taken a 2½-acre site on the 55-acre Warndon industrial estate.

The arrival of this Japanese company has put Worcester into top gear in its drive to become a major European centre for micro-processor know-how and equipment.

Things are also moving ahead on the tourism front. Last year more than 13,000 people used the tourist information centre, compared with only 6,500 in 1978.

But it is a pity that history is made so slowly.

Unbeaten Scorpio for Boutin

RACING

BY DOMINIC WIGAN

WITH GREGORIAN an absentee from that always fascinating event, the Hardwicke Stakes, it seems probable that Scorpio can bring a change of English racing fortune to Francois Boutin. Nureyev's brilliant handler has saddled this Gerry Oldham four-year-old to win four of his last five races and Scorpio's two unbeaten efforts this term suggests that he is better than ever.

Scorpio, who turned the 1979 Gran Premio del Jockey Club into something of a procession as he drew further and further clear of his opponents in the last three furlongs, began the current season with an easy Longchamp victory in April and followed up by holding off Gain in the Grand Prix d'Evry. An extremly late developing half brother to Sagaro—my idea of the best Ascot Gold Cup winner of recent years—Scorpio can greatly enhance his prospects as a stallion by outclassing More Light and five others.

Scobie Breasley, who was involved in so many finishes to the £40,000 King's Stand Stakes during his long career as a jockey, has a fine chance of training the winner today for he saddles Susarma.

Although Mr. Ravi Tikkoo's ultra consistent sprinter has been busier than any of his 13 opponents this season with six outings already behind him, I believe he is only now reaching his peak. His most recent performance certainly suggests that he is on the upgrade. Always travelling smoothly in the Canada House centenary handicap on the Friday of the Derby meeting, the Epsom four-year-old shrugged off 9 stone 10 lbs in the hands of Piggott to beat Gold Song a shade more easily than the length verdict might suggest.

Susarma, a striking American bred colt by Tudor Grey out of Maui Moon, who is already responsible for five other winners, has a fine turn of finishing speed which I hope to see Piggott use to telling effect.

If there is to be a King's Stand turn-up it could be caused by Abeer.

ROYAL ASCOT

2.30—Remouleur
3.05—Scorpio***
3.45—Optimate
4.20—Susarma**
4.55—April Bouquet
5.30—Crogham Hill*

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 10.15 For Schools, Colleges. 11.25 You and Me. 11.40 For Schools, Colleges. 12.00 Cricket: Second Test—England v West Indies. 1.30 pm Camberwick Green. 1.45 News. 2.05 Cricket: Second Test (continued). 4.18 Regional News for England (except London). 4.20 Play School. 4.45 The Red Hand Gang. 5.10 We're Going Places. 5.35 The Wombles.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
7.00 It's A Knockout.
7.50 Citizen Smith.
8.20 Ripping Yarns.
8.50 Points of View.
9.00 News.
9.25 East African Emergency Appeal.
9.30 Starsky and Hutch.
10.20 Living Legends (London and South East only).
10.50 Regional, National News.
†10.55 The Late Film: "The Quatermass Experiment," starring Brian Donlevy.

All Regions as BBC-1 except as follows:

Cymru / Wales — 1.30 - 1.45 pm Bys a Bawd. 4.45-5.10 Bobol Bach. 5.55-6.20 Wales Today. 7.00 Heddiw. 7.20-7.50 Plant y Paith. 10.20 Week in Week Out. 11.10 News for Wales. 11.11-12.53 am The Late Film: "New Face In Hell," starring George Peppard.

Scotland — 1.25 - 1.30 pm The Scottish News. 5.55-6.20 Reporting Scotland. 10.15 The Beechgrove Garden. 10.50-10.55 Regional, National News.

Northern Ireland—4.18-4.20 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 10.15 Causeway Folk. 10.50-10.55 Regional, National News. 12.20 am News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Newcastle); Look Northwest (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 10.25-10.50 East (Norwich) Weekend; Midlands (Birmingham) Straight Talk; North (Leeds) From the Top; North East (Newcastle) Roundabouts . . . The Last Two Weeks in June; North West (Manchester) Home Ground; South (Southampton) Report South; South West (Plymouth) According to Hoyle; West (Bristol) Public Life.

BBC 2

6.40-7.55 am Open University.
11.00 Play School (as BBC-1 4.20 pm).
11.25 Cricket: Second Test—England v West Indies.
1.30 pm Royal Ascot and Tennis (BMW Championships).
4.30 Cricket: Second Test (continued).
6.35 Open University.
7.00 Gardeners' World.
7.25 Royal Ascot highlights.
7.40 Mid-Evening News.
7.50 One Hundred Great Paintings.
8.00 Dance Month: Ballet Rambert in "Pierrot Lunaire."
9.00 Sing Country.
9.40 Playhouse Double-Bill.
10.45 Newsnight.
11.30 Cricket and Tennis highlights.
†12.30 am The Outer Limits.

LONDON

9.30 am Schools Programmes. 11.55 Beany and Cecil Cartoon. 12.00 The Learning Tree. 12.10 pm Once Upon A Time. 12.30 The Special Child. 1.00 News, plus FT Index. ...1.20 Thames News. 1.30 For Maddie With Love. 2.00 Houseparty. †2.25 Friday Matinee: Anthony Steel, Peter Finch and Diane Cilento in "Passage Home." 4.15 Worzel Gummidge. 4.45 Runaround. 5.15 Emmerdale Farm.

5.45 News.
6.00 Thames News.
6.30 Looks Familiar.
7.00 Winner Takes All.
7.30 The Other 'Arf.
8.00 Hawaii Five-O.
9.00 Brian Moore Meets Bjorn Borg.
10.00 News.
10.30 Mary Hartman, Mary Hartman.
11.00 The London Programme (Soho; London Transport).
11.45 Luke's Kingdom.
12.45 am Close: Personal choice with Ivor Mills.

All IBA Regions as London except at the following times:

ANGLIA

1.20 pm Anglia News. 2.25 Friday Matinee: "Take One False Step," starring William Powell and Shelley Winters 5.15 Struck By Lightning. 6.00 About Anglia. 8.00 The Incredible Hulk. 10.30 7 Days. †11.00 Friday Late Film: "The New Interns." 12.15 am Christians In Action.

ATV

1.20 pm ATV Newsdesk. 2.25 Movie Premiere: "A Circle of Children." 5.15 Laverne and Shirley. 6.00 ATV Today. 10.30 WKRP In Cincinnati. 11.00 ATV Newsdesk. 11.05 The Friday Film Fantastic: "Fantastic Planet."

BORDER

1.20 pm Border News. 2.00 Houseparty. 2.25 Friday Matinee: "A Girl Named Sooner." 5.15 Fangface. 6.00 Lookaround Friday. 6.30 You're Only Young Twice. 8.00 The Incredible Hulk. 10.30 Summersport. 11.00 Friday Night Movie: "Straight on Till Morning," starring Rita Tushingham. 12.45 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where, and Weather. 2.25 Stars On Ice. 2.50 The Friday Matinee: "Pioneer Women." 6.00 Report At Six. 6.35 Ladies' First. 8.00 Vegas. 10.28 Channel Late News. 10.36 Sea Horses. 10.55 TV Movie Premiere: "Deadlock." 12.35 am News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. †2.25 Friday Matinee: "The Happiest Days of Your Life," starring Alastair Sim, Margaret Rutherford and Joyce Grenfell. 6.00 North Tonight and Area Weather Forecast. 6.30 A Sharp Intake of Breath. 8.00 B.J. and the Bear. 10.30 Reflections. 10.35 "The Story of a Love Story," starring Alan Bates. 12.30 am North Headlines and Road Report.

GRANADA

11.50 am The Bubblies. 1.20 pm Granada Reports. 2.25 Friday Matinee: Susan Hayward in "Stolen Hours." 5.15 Granada Reports. 6.00 Granada Reports. 6.30 This Is Your Right. 6.35 Crossroads. 8.00 Hawaii Five-O 10.30 Soap. 11.00 Public Office. 11.30 House of Horrors: Adrienne Corri in "Vampire Grass."

HTV

1.20 pm Report West Headlines. †2.25 The Friday Matinee: "My Cousin Rachel." 5.15 Selwyn. 6.00 Report West. 6.30 Emmerdale Farm. 8.00 A Man Called Sloane. 10.35 Report Extra. 11.05 The Friday Film: "Berlin Affair."

HTV Cymru/Wales—As HTV West/HTV General Service except: 10.48-11.08 am Cymru A'r Mor. 11.55-12.10 pm Mistar Clai. 1.20 Penawdau Newyddion Y Dydd. 1.25-1.30 Report Wales Headlines. 4.15-4.45 Antur A Champ. 5.15-5.45 Breakers. 6.00 Y Dydd. 6.15-6.30 Report Wales. 10.35 Agenda. 11.35-12.30 am Mannix.

SCOTTISH

1.20 pm News and Road and Weather. 2.25 Friday Matinee: "The Crimson Pirate," starring Burt Lancaster. 5.15 Mork and Mindy. 6.00 Scotland Today. 6.30 Emmerdale Farm. 8.00 Vegas. 10.30 Ways and Means. 11.00 Late Call. 11.05 Late Night Movie: "Fear No Evil," starring Louis Jourdan.

SOUTHERN

1.20 pm Southern News. 2.25 "The Iron Maiden," starring Michael Craig. 5.15 Happy Days. 6.00 Day by Day. 6.00 Scene South East (South East area only). 6.30 Tell Me Another. 8.00 Streets of San Francisco. 10.35 Opinions Unlimited. 11.05 Soap. 11.35 Vegas.

TYNE TEES

9.20 am The Good Word followed by North East News. 1.20 pm North East News and Lookaround. †2.25 Friday Film Matinee: "Hungry Hill," starring Margaret Lockwood and Dennis Price. 5.15 Happy Days. 6.00 North East News. 6.02 Sportstime. 6.25 Northern Life. 8.00 The Incredible Hulk. 10.30 North East News. 10.32 Friday Live. 12.05 am WKRP In Cincinnati. 12.35 Meet The Faith.

ULSTER

1.20 pm Lunchtime. 2.25 Friday Matinee: "A Circle of Children." 4.13 Ulster News Headlines. 5.15 Mork and Mindy. 6.00 Ulster Television News and Sport. 6.30 Untamed World. 8.00 Vegas. 10.29 Ulster Weather. 10.30 Witness. 10.35 Friday Film: "The Million PoundNote." 12.25 am Bedtime.

WESTWARD

1.20 pm Westward News Headlines. 2.25 Stars On Ice. 2.50 The Friday Matinee: "Pioneer Woman." 6.00 Westward Diary. 8.00 Vegas. 10.32 Westward Late News. 10.36 Sportsline. 10.55 TV Movie Premiere: "Deadlock." 12.35 am Faith for Life. 12.40 West Country Weather and Shipping Forecast.

YORKSHIRE

11.55 am The Bubbles. 1.20 pm Calendar News. 2.00 Houseparty: †2.25 Friday Film Matinee: "The Day the Earth Caught Fire" 4.10 Cartoon Time. "A Little Learning." 5.15 Bailey's Bird. 6.00 Calendar (Emley Moor and Belmont editions). 6.35 Calendar Summer Sport. 8.00 The Incredible Hulk. 10.30 Brass in Concert. 11.15 The Friday Night Film: "Virginity."

(S) Stereophonic broadcast
‡ Medium wave

RADIO 1

5.00 am As Radio 2. 7.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 am Andy Peebles. 4.31 Paul Gambaccini. 5.30 Newsbeat. 5.45 Roundtable. 7.30 Anne Nightingale. 9.50 Newsbeat. 10.00 The Friday Rock Show (S). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Steve Jones (S). 7.32 Terry Wogan (S). 10.03 Jimmy Young (S). 12.03 pm David Hamilton (S). 2.03 Ed Stewart's Request Show (S) including Racing from Ascot. 4.03 Much More Music (S). 6.03 John Dunn (S). 8.02 Friday Night Is Music Night (S). 9.55 Sports Desk. 10.02 The Grumbleweeds. 10.30 The Organist Entertains. 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composers: The Court of Burgundy Busnois (S). 9.40 Young Artists Recital (S). 10.35 Chopin and Ravel piano recital (S). 11.25 Cricket: Second Test—England v West Indies including 1.35 pm News, 1.40 Call the Commentators, 2.00 Lunchtime scoreboard. 6.40 Rimsky-Korsakov (S) (‡and mono only until 7.00). 7.10 One Pair of Ears. 7.25 Play It Again (S). 7.30 Vladimir Horowitz plays Schumann. 8.00 BBC Symphony Orchestra Concert, part 1 (S). 8.40 The Great Prayer. 8.55 Concert, part 2. 9.45 I Might Have Done Much Worse (S). 10.10 The English Ayre (S). 10.35 Beethoven chamber music (S). 11.00 News. 11.05-11.15 Vaughan Williams (S).

VHF—with Medium Wave except as follows—6.00-7.00 am Open University. 11.25 Fitzwilliam String Quartet (S). 12.20 pm Boston Symphony Orchestra, part 1 (S). 1.00 News. 1.05 Boston SO, part 2. 1.45 Biber (S). 2.30 A Revolution in Polish Music (S). 3.25 A Musical Obsession: Reger and Mozart (S). 4.55 News. 5.00 Mainly For Pleasure (S). 6.20-7.00 Open University.

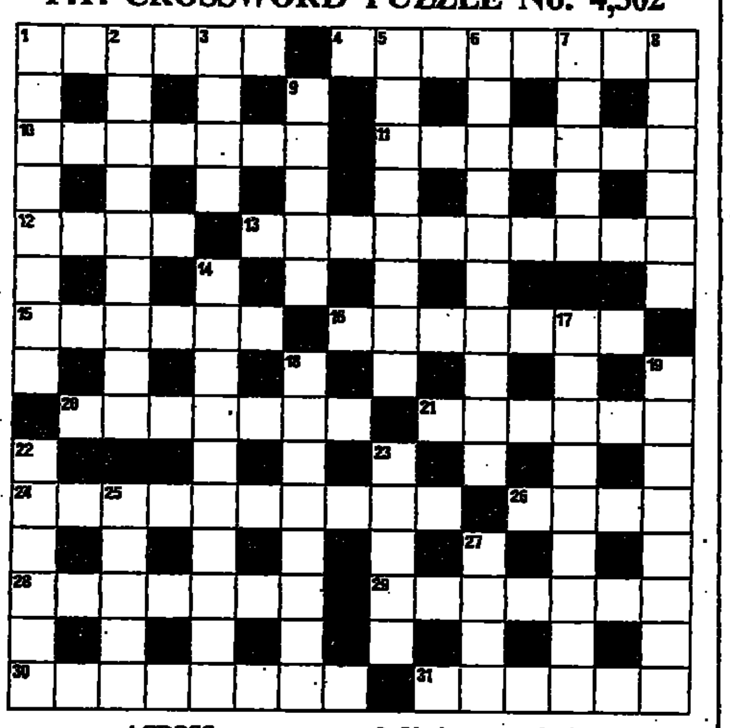
RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day; 7.00, 8.00 Today's News; 7.30, 8.30 News headlines; 7.45 Thought for the Day. 8.35 Yesterday In Parliament. 8.59 Continental Travel. 9.00 News. 9.05 Desert Island Discs. 9.45 Down The Garden Path. 10.00 News. 10.02 From Our Own Correspondent. 10.30 Daily Service. 10.45 Story Time. 11.00 News. 11.05 Life After Life. 11.50 Bird of the Week. 12.00 News. 12.02 pm You and Yours. 12.27 My Music (S). 12.55 Weather; programme news. 1.00 The World At One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Listen With Mother. 3.15 Afternoon Theatre. 4.10 Hugh Griffith Remembered. 4.40 Preview. 4.45 Short Story. 5.00 PM News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Going Places. 7.00 News. 7.05 The Archers. 7.20 Pick Of The Week (S). 8.10 Profile. 8.30 Any Questions? 9.15 Letter From America. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.35 Week Ending (S). 11.00 A Book At Bedtime. 11.15 The Financial World Tonight. 11.30 Today In Parliament. 11.45 Miles Kington. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 4.30 London News Desk. 5.35 Look, Stop, Listen. 7.03 Black Londoners. 8.00-5.00 am Join Radio 2.

F.T. CROSSWORD PUZZLE No. 4,302



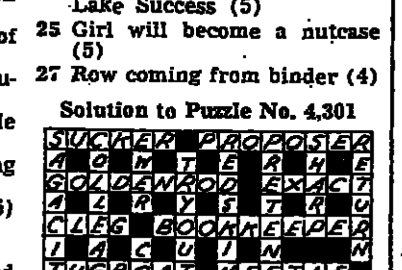
ACROSS

1 Was this 19th century politician leader of British Tories? (6)
4 Fool expert with drug (8)
10 Act to make first person like going on river (7)
11 Reg Dean forced to emerge from shell (7)
12 Important people backing racketeer (4)
13 Cheerful boy flagged by pirates (5, 5)
15 Continue to droop over bottle (6)
16 A prize at Wembley allowed to waste away (7)
20 Creature always allowed outside (7)
21 Corner river sportsman (6)
24 One quarter on horseback in northern county region (4, 6)
26 Crowd together sees state of America (4)
28 Altered sound of revolutionary footrest (7)
29 Fat lot of notice one attitude takes (7)
30 Great fun getting it during university term (8)
31 Benefit paid player well (6)

DOWN

1 College boat races cancelled murders (5, 3)
2 Still at home with a friend from Northern Ireland (9)
3 Meeting place heard amount gained (4)
5 Right to same treatment for all concerned with quality of king (8)
6 Obvious revolution mounted faultless performance (5, 5)
7 Page called to bomb target (5)
8 They skirt round alternative speculation (6)
9 Bait the Camptown company in brief (5)
14 Fish merchant operating in corner (4, 6)
17 Don't get involved with part of ship a clown upset (4, 5)
18 Boss leads the others giving capital support to motorist (4, 4)
19 Note about perfume in street (8)
22 Change current regulator (6)
23 Open up place for a drink at Lake Success (5)
25 Girl will become a nutcase (5)
27 Row coming from binder (4)

Solution to Puzzle No. 4,301



ENTERTAINMENT GUIDE

OPERA & BALLET

THEATRES

CINEMAS

ART GALLERIES

EXHIBITIONS

Cinema

On the move by NIGEL ANDREWS

Journeys from Berlin	ICA
Amy!	ICA
Fire in the Water	ICA
Christopher Strong (A)	ICA
A Touch of Zen (AA)	Gate 2
Courage Fuyons! (AA)	Curzon

With inflation and economic alarmism soaring, and Rank but lately sinking, you may be wondering, whither the British cinema? It is dead, dying or renascent? While ever more intermittent and ever more internationally flavoured British blockbusters reap sporadic rewards at the box-office — under the flags of James Bond or Agatha Christie — who is tilling the soil and sowing the crops for the next generation? And will the gap ever be narrowed between bland big-sereen commercialism and low-budget rebarbative experimentalism?

Let me point you towards the ICA cinema, where you may find answers to some of these questions. History is made in corner-houses and garrets as well as on battlefields and in parliaments, and the ICA, modest and tucked away though it be, has begun to look under its new regime like a rallying-centre for New British Cinema.

If you want to take the pulse of movie modernism, then gather up your intellectual courage and hie you thither. A clutch of new British productions are on parade during the coming month, and though they are prickly and challenging—and some more to be endured than enjoyed—there is at least a sense of movie ideas on the move, of creative "rules" being stretched or broken, of a country's cinema stepping venturesomely forward rather than marking time or even (as with some of Rank's own last-gasp output) stepping back into a cosy, plagiaristic past.

Two of the new offerings are fascinating and formidable in equal measure. Watching Yvonne Rainer's *Journeys From Berlin*, a sort of politico-psychoanalytic fantasia, is about as comfortable as tiptoeing over broken glass, and politically the film's ruminations on Baader-Meinhof, Rudi Dutschke et al flirt too sinisterly for my taste with giving the nod to terrorism. But the form is intriguing; a jumbled jungle of semi-abstract suggestiveness with now an aerial travelling-shot of Stonehenge or the Berlin Wall, now a long scene in which an elderly lady (Annette Michelson) pours forth an idea-association monologue to her psychoanalyst, now a track along the variegated iconic bric-a-brac on a mantlepiece. Over the images in which no human action occurs, voices talk or recite—a girl reading from a diary, a couple discussing politics and dinner.

At 125 minutes it's onerously oneiric, a bit of an overdose of enigma. But the games it plays—an audio-visual riddle-me-ree intertwining politics and psychology, private feelings and social forms—pinch some fascinating twists in the straight line of traditional cinema.

*

Journeys From Berlin was produced by the British Film Institute Production Board, although Ms Rainer herself is American. More fully fledged in its British-ness is Laura Mulvey and Peter Wollen's 33-minute *Amy !*, a tribute to that superstar female aviator of yesteryear Amy Johnson. *Amy!* is a *little* more comfortable than tiptoeing over broken glass: more like sharp shingle. And sometimes it is even kind enough to bounce us along with the potency of cheap music, crooning halycon chart-busters on the order of "Amy! How can you blame me? . . . etc." over the soundtrack while the imagery fixes on, say, Miss J.'s old aircraft, hanging from a hangar roof like a giant forgotten moth.

Mulvey and Wollen, who made *Riddles of the Sphinx*, have put together a choppy, cryptic, provoking *collage* of sounds and pictures, now manoeuvring an actress in the likeness of Amy through a scene of letter-destroying (the passage from young love to mature ambition?), now gliding the camera over an atlas to follow the course of her historic flight to Australia (while a voice-over recites the Times headlines for that month), now quizzing schoolgirls in a vox-pop inquiry about the notions of the word "heroine."

It's an allusive, elusive film that doesn't always to my mind fasten its grappling irons on the subject it's bearing towards. But as in Rainer's film, the disjunction of sound and image and the kaleidoscope variety of styles are boldly innovative, blazing a path for future explorers and, for that matter, for future Mulvey-Wollen projects.

Scene from 'A Touch of Zen'

The weakest of the new movies by British directors is Peter Whitehead's *Fire in the Water*, which spearheads a retrospective of films by the man who made *Wholly Communion* and *Let's All Make Love in London*. Whitehead's work is fixated on the Swinging Sixties, and most of his new film is taken up with quick-fire bits-and-pieces from that decade's archives, commemorating such as Jimi Hendrix, the Rolling Stones and Peter Brook's Vietnam pageant, *U.S.*

Around this footage is gaucheley gathered the story of a film-maker who holes up in a remote Scottish cottage to scrutinise it all on an editing-machine, while his wife/girl-friend flings herself meaningfully around the countryside on a sort of ongoing Freudian ramble. Rock-pools infested with serpents attract her attention, as whose would they not, and she tears her clothes off while clasping a tree in poor weather. Waterfalls, disappearing bushes, lakes also abound. The lady is played by Nathalie Delon, who doesn't look as if she knows what she's doing any more than we do. The film's idea presumably—as in Rainer's—is to concatenate and counterpoint public events and private feelings. But though there's plenty of proximity between the two motifs, there's little relating and even less rapport.

Skip Whitehead and take a flyer with Rainer and Mulvey and Woollen. And as a sit-back-and-relax bonus there is also a *Hollywood film of vintage scattiness* called *Christopher Strong*, slipped into the ICA season no doubt because it adumbrates feminist themes and was directed by a woman, to wit Dorothy Arzner. Katharine Hepburn stars as a lovelorn aviatrix having to choose between high-altitude distinction and being laid low by childbirth. Colin Clive, MP, clucks Britishly by her side, as her parliamentary *inamorato*, and the spirit of Noel Coward was clearly alive and well in 1930s Hollywood.

*

King Hu's *A Touch of Zen* leaps into town again this week, a magical mystery tour of the Martial Arts movie. This Hong Kong epic showed in London all-too-briefly four years ago after its prize-winning unveiling at the '75 Cannes festival. It deserved better and now—thanks to Gate Two—it gets it. This three-hour visual offers us piping-hot servings of action, garnished with ghosts and marinated in myth. It also puts the kybosh on anyone protesting that Kung Fu movies are never more than fisticuffs in mystic-East clothing. From its opening "act" in a crumbly, spook-ridden fortress to its flying and fighting finale in a bamboo-forest lit by dazzling lances of sunlight, this sauvely snaking tale of quest and vengeance is consistently beautiful and absolutely hypnotic.

*

Meanwhile, the Curzon cinema's ongoing infatuation with middle-market French comedy takes a turn for the worse, if not for the certifiable, with *Courage, Fuyons!*: a pathetic little potboiler that should never have been allowed, let alone encouraged, to cross the Channel.

The spindly muddlehead with the moustache and the drawn cheekbones is Jean Rochefort, the blonde girl bedding down with him in an Amsterdam hotel is Catherine Deneuve. She looks plumper than of yore, and somnambulates through her role as a jet-setting *chanteuse* as if sedated for the experience. He is a married pharmacist in love with her, and exclusively predictable complications ensue when he chases her from country to country and squares up—or rather, being a coward who subscribes to the title exhortation, tries not to—to her vengeful former lover.

The most cherishable thing about the film is the English subtitling. Some prodigy of plain-brained transliteration has translated "Je ne pouvais pas éviter cette question" as "I could not evict that question"; not to mention simpler simplicities like "rhum" for "rhum." Perhaps, like the rest of us, he was cast into deep atrophy by the celluloid banalities uncoiling before him. As for the film's director, Yves Robert, he ought to be sent the same message as that cabled to the movie's erring hero by his wife: Come home, many reproaches waiting.

Glyndebourne

Die Zauberflöte by NICHOLAS KENYON

'Die Zauberflöte,' designed by David Hockney

This remains essentially David Hockney's *Zauberflöte*. The naive, crystal-clear colours and simplistic, wide-eyed desert scenes provide an apt parallel to the translucent clarity of Mozart's score—but as theatre, the settings work less well. Because they are conceived as pictures, the flats and back-cloths provide too little of the architecture that the libretto demands: the three temples of Act One are poor, cardboard things with no depth; there are no central doorways in Act Two, so Pamina has to sidle on from the side for her climactic meeting with Tamino, and Sarastro materialises behind a gauze.

The production, now rehearsed by John Cox and Guus Mosfart, has succeeded in tidying up a couple of points from its 1978 premiere; the costumes of the three spirits are less St. Trinians-like, and the trials of fire and water (splendidly over-designed by Hockney) now seem to run more smoothly. The most original conception among the characters is the Papageno of Stephen Dickson: less chummy than Benjamin Luxon in the production's original cast, Dickson is lithe, straight-faced, almost anguished as he searches for his Papagena. His singing is crisp and clear, his acting full of natural, unforced humanity.

Other successful newcomers to the cast are Norma Burrowes as Pamina and Rita Shane as the Queen of the Night. Miss Burrowes sings with an intensity and sharp focus that commands the house: her cry of "Das Wahrheit" rings out magnificently, and she moulds the falling sevenths of her suicide scene with affecting power. In her set-piece numbers she seemed less sure; perhaps she will now be able to relax into the part and let the melodies flow. Miss Shane's voice is brittle and fierce; after an unappealing entrance number (in which the Queen is still burdened with a Habitat lamp in her left hand), she provided a thrilling account of the second act aria, confident and well-articulated.

I wish I could be happier with Ryland Davies' Tamino, for it has some strong moments: but his gutsy, swooping, expressively bulging style of performance fits poorly in a cast distinguished on the whole by its precision and sharpness. The ladies and spirits sing with delicious crispness and responsive ensemble: Catherine McCord's first lady has an icy edge to her tone, well matched by the petulance of her acting. Sarastro and the Speaker are unchanged from the 1978 cast, but Thomas Thomaschke's High Priest has grown in depth and stature, and he is no longer upstaged by Willard White's magnificent Speaker. Meryl Drower pops up (and down, through the production's effective trapdoors) as a neat, pert Papagena.

Andrew Davis conducts sensitively, but without any special feeling for the character of this extraordinary score. He seems intent on obtaining weighty, well-rounded playing from the London Philharmonic, but too often the results are sanctimonious. Hockney's magical visions, the generally light but not clownish touch of the production, and the sharpness of the singers would all be better matched by a leaner orchestral sound. Bernard Haitink takes over on July 13, when the original Papageno and Pamina (Benjamin Luxon and Isobel Buchanan) return to the cast.

*

Moran Caplat, general administrator at Glyndebourne, is to retire after the 1981 Festival.

He joined Glyndebourne in 1945 and became general administrator in 1949 succeeding Rudolf Bing.

Mr. Caplat will continue to be closely associated with Glyndebourne as director of Glyndebourne Productions and as editor of the Glyndebourne Festival Programme Book.

He will also be director of the Glyndebourne Golden Jubilee Exhibitions which will be held in London in the summer of 1984.

Royal Ballet programme

The Royal Ballet will celebrate its 50th anniversary next year with a special four-week season at Covent Garden in May. The programme will be announced in the autumn. Among the other plans for the new season, announced yesterday, are the world première in April of Kenneth Macmillan's new full length ballet *Isadora*; the premiere of a one act ballet by Glen Tetley, and the first performance by the Royal Ballet of *Dark Elegies*. The repertory for the season will include *Cinderella*, *Giselle*, *Mayerling*, *Swan Lake*, *Elite Syncopations*, *Les Sylphides* and *Troy Game*.

Purcell Room

Koenig Ensemble

That unpretentious vein of confiding lyricism that Hans Werner Henze has mined so successfully in recent years for three string quartets and a solo violin sonata has now yielded another sonata, this time for viola and piano. Its British premiere formed the centrepiece of the Koenig Ensemble's concert in the Purcell Room on Wednesday evening, when it was played by the dedicatees, Garth Knox and Jan Latham-Koenig.

Works such as this are likely to win back for Henze many friends who deserted him through his ultra-expressionist phase, when any effect however self-indulgent was put to service if it might shock or impress. The viola sonata is a single movement, contrasting two kinds of material, one slowish and tending to the rhapsodic, the other tighter, more scherzo-like. The two movement-types alternate and exchange material until, in the composer's words, "each has become the other, and until the one has taken the shape of the other." It lasts around 20 minutes; the plan is clear and easy to follow, with freely rhythmic cadenzas for each of the instruments, to punctuate and articulate the structure. The viola's repertory is not so large that a new major work would not be welcomed whatever its character, but such a shapely piece is likely to be taken up very quickly by many players.

Mr. Knox and Mr. Latham-Koenig gave the first performance of the sonata in April at the Witten Contemporary Music Festival; they play it now as though it has become a natural part of their programmes. The Koenig Ensemble as a whole has been ambitious in building up a body of major works to form the backbone of concerts for a long time to come. But Tippett's Sonata for four horns, which began Wednesday's concert, is unlikely to appear very often. It demands four expertly accomplished players and even then a trouble-free performance from such treacherous instruments is not guaranteed. On this occasion the hiccoughs were minor, but it remained an unsatisfactory performance: the problem is the composer's, who seems to have some notional kind of horn in mind when writing the sonata—an instrument infinitely flexible, and less brassy and bucolic than contemporary players tend to favour.

Messiaen's *Quartet for the End of Time*, however, is well on the way to becoming a Koenig specialty. Already Paul Barritt, Alexander Baillie, David Fuest and Mr. Koenig have the full measure of the faster music, and Mr. Baillie plays the Fauresque fifth movement with a wonderfully sustained cello line. The final movement, for violin and piano alone, presents the greatest challenge still: Mr. Barritt is careful to avoid a sugary sweet tone, but at the end of an enormously demanding work the high violin line holds many dangers.

ANDREW CLEMENTS

Phoenix

The Other Side of the Swamp

Terry Jenkins, an ageing, balding old queen played by the author, Royce Ryton, picks up a bit of rough trade in the shape of Leslie Brown. Terry hopes that Leslie might be a lorry-driver, but he turns out to be an out-of-work actor. This initial disappointment is somewhat abated when Leslie claims that he was once a policeman and moreover has been in the nick for pushing drugs. It is gone for good when what looked like a casual pick-up becomes a love affair and Leslie not only gets the lead in a television serial but writes a play, "Mother's a Mouthful," that is produced in the West End by *Montagu Productions*.

The relationship proceeds through jealousy and an attempted suicide to a happy ending, and if Leslie had been Lesley there would really have been nothing in the play at all except a few good lines here and there. Terry's snobbery is improbably exaggerated, and really exists only so that it may be resolved with a Good Straight Talk, like his dependence on drink. His dependence on pills is less easily resolved, though; it leads Leslie to break into a chemist's shop in the King's Road (I wonder which one?), and this makes him admit that, far from ever having been a cop, in fact he's an ex-Borstal Boy who's done three months for G.B.H. This naturally makes Terry love him all the better.

Among several patches of padding that turn this from a possibly good one-act play to a turgid two-act play is a lecture by Terry (himself an actor) on the craft of playwriting. This sounds to me so sensible that I wonder why Mr. Ryton hasn't been more censorious of himself, why he has given Leslie lines like "That seems to be the consensus of opinion," why he couldn't give Terry's father a more likely profession for Terry to be ashamed of than the manufacture of lavatory pans, why he sprinkles his script with cheap gay jokes like "It's enough to make anyone normal." There's good at the heart of this play, and Mr. Ryton's tearful performance, presumably authentic, is effective. Paul Jerricho as Leslie is a stereotype—all right, ask me how I know. But Leslie is a stereotype, with no private individuality, and Mr. Jerricho might play him twice as well without bringing him to genuine life.

Joan Kemp-Welch is the director, and the set, uncredited in the programme, said to have been assembled by the management from the management's own furniture, looks cosy enough. The play is to run only for a short season, with specially low rates at the box-office.

B. A. YOUNG

Festival Hall

Gothenburg Orchestra

As part of its current British tour the Gothenburg Symphony Orchestra gave on Wednesday a South Bank concert, and made therein a winning impression. It is an orchestra with a long and honourable tradition—Stenhammer and Dobrowen are numbered among its past conductors — which seems tangibly realised in the performance: for it plays, and sounds, like a real orchestra, not a band of superior session-musicians expertly sight-reading their way through just another concert.

The conductor was the Estonian Neeme Järvi, a musician rather than a showman, to judge by the playing of the well-known First Swedish Rhapsody of Alfven—the tunes were naturally inflected, the simple charms of the piece emerged unscathed by artistic inflation. The accompaniment in two Grieg songs was fresh, and in the Strauss Four Last Songs it was careful; the concern to clear a path for Elisabeth Söderström, in good but not large voice, was the product of tact as well as musicianship. One missed in the Strauss both a meltingly easy quality of voice and a detailed orchestral radiance: in the Grieg (whose words were unhelpfully absent from the programme) tone and accent were, not unexpectedly, exactly judged by singer and players alike.

Though a barnstorming approach to the Sibelius Second Symphony will usually force out a certain immediate excitement, the work invariably sounds stronger for being more thoughtfully and steadily taken. Sibelius also offered the most extended opportunities to judge the quality of orchestral playing, and these were worthily rewarded—strings proved firm if somewhat lean, wind fresh and forward, and only the brass choirs exposed a passing rawness. It was an attractive performance, and, altogether, an attractive concert.

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Gathering in private money

THE BUILDING of the £1.1bn North Sea gas-gathering pipeline, which was yesterday approved by the Government will be a project of some significance, not only for Britain's energy independence and for the world's offshore construction industry, but also as an example of new and potentially exciting, developments in government industrial and financial policy.

By bringing ashore gas and hydrocarbon liquids worth around £1½bn a year for 20 years or more, it will make an important contribution to prolonging Britain's energy self-sufficiency towards the turn of the century. By increasing resources available for British gas consumers, it will help to preserve the North Sea's more rapidly-diminishing oil reserves for premium uses.

Feasibility

The speed with which British Gas and Mobil conducted the feasibility study, and the Government's ability to give the scheme rapid approval, are particularly welcome, since oil operators will now have every incentive to conserve their natural gas in anticipation of the opening of the pipeline. The Government's alacrity in dealing with the pipeline project is a refreshing reminder that a Government which has proved irresolute and slow over other major energy and industrial issues, can still take decisions quickly when necessary.

Having made its mind up reasonably rapidly on the principle of building the pipeline, the Government has not, unfortunately, been so decisive about the vital details of the scheme—in particular the structure and financing of the company which is to build and operate it. Unless an operating company can be formed quickly, there will be no hope of even approaching the timetable proposed in the feasibility study. This would have had the first gas coming ashore by 1984-85, but assumed that an operating committee would be in place by April 1980. The probable tensions within the organising group which has been set up to form an operating company, suggest that there may yet be a number of hard decisions to be taken before work can begin in earnest.

Consternation

The inclusion of BP, along with Mobil Oil and British Gas, in this organising group, has caused a certain amount of consternation in the oil and chemicals industries, since BP is known to be unhappy with some details of the scheme put forward in the feasibility study and has expressed more scepticism about the potential financial attractions of the pipeline than the other members of the organising committee. BP's preference for a more flexible pipeline, capable of carrying more gas in the future certainly needs to be taken into account. But it would be regrettable if the project was delayed unduly by disagreements among the participants, assuming that sufficient financial backing was available from the capital markets to see it through.

Welcome

The fact that the British Gas Chairman, Sir Dennis Rooke, has been made chairman of the organising committee, is a welcome sign that the Government is not deliberately restricting the role of British Gas, which is convinced that, if necessary, it alone could muster the financial backing to build the pipeline. Once the details of the financing are worked out, it will become clear whether the Government is prepared to allow nationalised industries to become substantial partners with the private sector in major investment projects of this kind. In fact, it is as the first example of a new kind of partnership between the private and public sectors, that the line may turn out to be most historically important.

Other major investment projects involving the nationalised industries could follow the precedent set by the gas pipeline. The most obvious is the proposed Channel Tunnel. But ultimately, other potentially profitable schemes in the coal, electricity and telecommunications industries could be financed in a similar manner if the Treasury, which is currently considering changes in the nationalised industries' financial arrangements, shows sufficient flexibility. The benefits to the Government's economic strategy of financing parts of the nationalised industries through risk capital, rather than the issue of gilts, could be substantial.

Delayed

The Government's aim of "privatising" parts of the public sector could be achieved as effectively by encouraging the public corporations to find ways of bringing risk capital into some of their major investment programmes, as by the more complex and disruptive process of denationalisation which has been proposed for British Airways, British Aerospace and the British National Oil Corporation. But the Government has delayed decisions on how to put such principles into practice. It should make up its mind on the gas gathering pipeline as soon as possible.

BP goes to market for a big mining house

Dr. Jack Birks, a managing director of BP

Mr. John Du Cane, chairman of Selection Trust

BY RAY DAFTER, Energy Editor

INVESTORS who are surprised by British Petroleum's £300m approach for Selection Trust, the international mining finance house, would do well to pay more attention to the speeches and lectures emanating from the oil group's lofty headquarters. The approach was believed yesterday to be one of the biggest made by a British company.

Just six weeks ago Dr. Jack Birks, a BP executive board member, offered a fairly strong hint about such a diversification attempt: *"I believe that the oil industry can help to provide the strong capital base that is now required by the minerals industry. This is both appropriate and timely. The oil industry has the size and financial strength to enable it to take a long view."*

Dr. Birks, who was delivering the 15th Sir Julius Wernher memorial lecture of the Institution of Mining and Metallurgy, said he could see the oil and mining industries moving closer together.

BP's interest in Selection Trust is understandable and wholly in line with its declared expansion aims. Like all major oil companies, it is anxious to spread its interests much more widely.

The urgency with which the oil companies are seeking diversification opportunities is growing for three basic reasons:

● Thanks to the activities of the Organisation of Petroleum Exporting Countries and rising oil prices, companies are now finding themselves with plenty of spare cash. Last year, for instance, BP returned a net income, on a historical cost basis, *of £1.6bn, a 265 per cent* increase over the 1978 figure.

● As a result of new energy policies being implemented by governments and trans-national bodies like the EEC and the International Energy Agency, there seems little prospect for a significant growth in oil and gas sales over the coming years. Both the IEA and the EEC have set themselves targets which would reduce oil consumption to a level equal to—*or lower than—40 per cent of* gross primary energy demand by the end of this decade, as against over 50 per cent at present. With energy growth also being restrained that laudable policy has changed the complexion of the oil industry which had become accustomed to seeing demand for its wares increasing at a relentless pace.

● At the same time, companies like BP have witnessed changes in the marketing and distribution of crude oil produced in OPEC member states. To a large extent the companies' interests have been nationalised or at least brought under greater state control. More recently companies have been excluded by government-to-government sales arrangements. The so-called "Seven Sisters"—the biggest oil companies, including BP—are now thought to be handling no more than one *third of OPEC's 28m barrels a* day output. In 1973 they were lifting around 70 per cent of OPEC production.

Little wonder, then, that the companies are finding other patches so much greener.

Sir David Steel said in his latest annual chairman's statement in March that while BP would continue to develop oil and gas wherever possible, an increasing proportion of "new investment, research and enterprise" would be channelled in other directions, mainly connected with the production and use of energy and other natural resources.

Traditionally, BP has concentrated its interests upstream—in oil and gas exploration and production: Now the company is deliberately setting its sights on those extractive industries that employ related technology.

"We are not going to buy a circus," Sir David told journalists recently in an oblique reference to some of the more extravagant diversification ventures undertaken by U.S.-based oil groups. (In the early 1970s Gulf Oil had preliminary takeover discussions with U.S. circus interests, Ringling Brothers and Barnum and Bailey but—as Gulf is quick to point out—these talks came to naught.)

BP operates in a much more subdued light. Indeed, the story goes that Sir David regarded the colours adopted for the 1978 annual report—a pleasant combination of pale and dark blues—as being much too bright. The 1979 report was contained in covers of beige.

However, with the help of advertising agents Saatchi and Saatchi BP has begun to brighten its former dull image and to bang the drum of achievement. Alone or with partners, it has been involved in the discovery of half of the 30 largest oil fields in the non-communist countries. And within the space of a few years the group has built up its coal interests to a point where it is now the world's eighth largest private sector coal producer, with saleable coal reserves of over 1.2bn tonnes. Britain's National Coal Board has recoverable reserves of some 45bn tonnes.

BP is looking towards gaining a major stake in the growing international coal trade. This could grow from around 200m tonnes a year to over 500m tonnes — and possibly almost 1bn tonnes — by the end of the century.

At the moment BP is moving *around 7.9m tonnes a year* in this international market (excluding sales of BP's American affiliate, Standard Oil of Ohio). By 1985 BP aims to be trading around 20m tonnes annually.

The company's mineral interests are less extensive, although a successful *bid for* Selection Trust would transform this picture. Even so, BP is involved in a number of mineral exploration programmes: in Australia, Canada and West Germany (all for base metals and uranium), in New Zealand (base metals), in Spain (Uranium) and in Britain (base metals). Sir David is confident that these mineral interests will produce a "significant" contribution to group cash flow by the late 1980s.

The change of emphasis and interests within BP has forced the management to look at its corporate structure. In recent weeks managers have been reviewing plans for changes that might be introduced in the next few years.

It is possible, for instance, that the company might adopt a much smaller group administration and devolve more of the responsibilities to operating companies. This trend has already started. Among the present subsidiary companies are BP Coal, established in 1974, and BP Minerals International, set up in 1978, only one year after the group had formed a minerals division.

While BP was refusing to say anything about the Selection Trust approach yesterday it seems likely that the bulk of the mining house's interests would be merged with the undertakings *held* by BP Minerals International.

Sitting in charge of all the group's interests are six men; six individualists who have emerged out of a huge organisation (1,300 subsidiary and associated companies, 113,200 employees) which has often been likened to an overgrown Civil Service department. They are the executive members of the group's main board: Sir David Steel, as chairman; two deputy chairmen — Mr. Christophor Laidlaw and Mr. Peter Walters; and three members who would *have* been closely associated with the Selection Trust approach—Mr. John Sutcliffe, Mr. Robin Adam, and Dr. Birks. Diversification opportunities are part of Mr. Sutcliffe's brief while Mr. Adam has responsibility for financial matters.

Sir David, a lawyer by training, is a blender of individual talents, rather than a domineering individualist like some of his predecessors. That is not to say *he* does not hold strong views.

His deputies are as unalike as chalk and cheese. Mr. Laidlaw is a marketer, a forceful man. Mr. Walters was 49 when he became deputy chairman, a seat normally reserved for directors well into their middle 50s. Consequently, he has been labelled "the nearest thing BP has to a whizz kid." Unquestionably able, but not bombastic, Mr. Walters arrived via the oil supply, shipping and chemicals route.

Mr. Adam, a chartered accountant, is one of the quiet, thoughtful members of the board. Mr. Sutcliffe is similarly restrained; an experienced negotiator with a strong Middle East background.

Dr. Birks is probably the man most closely associated with the Selection Trust approach. His responsibilities cover oil and gas exploration and production, minerals, coal, engineering and technical matters. An articulate executive, Dr. Birks is perhaps the most extrovert of the group. Like a well-trained juggler he appears quite calm while being able to keep many differing balls in the air. Not only that, he appears to be enjoying himself and is happy to be seen in this light.

All this is just as well, for at the same time as BP's interest in Selection Trust was revealed yesterday, the Government was announcing plans for the development of a £1.1bn gas gathering system in the North Sea, possibly the most ambitious offshore gas project ever undertaken. And BP is to have a prominent part in this.

In his Institute of Mining lecture, Dr. Birks said that the oil industry had demonstrated its ability to handle large-scale capital-intensive projects. Oil and minerals shared many common features — political, economic and technical. It was natural, he said, that many oil companies should be looking to play a part in the minerals business.

And there can be little doubt that BP is among them.

. . . And what it's got its eye on

BY KENNETH MARSTON, Mining Editor

BY WORLD mining standards Selection Trust is a hot property. Many observers have wondered why none of the big mining names has moved in before.

The current share price of ST values the UK-based international mining group at more than £300m, but today's cost of setting up the group's various mines and installations, coupled with the value of metal in the ground must be several times that figure.

Nevertheless, ST is not in the big league by world mining standards. It is much smaller than America's Amax for example in which ST has a stake *of 7.56 per cent currently worth* £84m. Nor can ST come anywhere near matching South Africa's giant Anglo American Corporation whose London subsidiary, Charter Consolidated, holds 25.8 per cent of ST.

But ST is "big" in terms of exploration success and in the quality of assets and management. Perhaps this is why the Anglo camp has been content to remain a shareholder and thus deter predators. Now it may feel that with due deference to the ST life president, Mr. A. Chester Beatty, the BP's non-South African money can offer ST a better future.

Around 1964 ST had to take a new look at where its future would be. What seemed best was a return to the original pioneer policy of finding, owning and operating mines. The ground work for this decision had been already laid with an earlier move into grass roots exploration in Canada and, subsequently, Australia.

Since then the group has achieved an almost unequalled success in finding new mines. "That crowd cannot go anywhere without tripping over a *new one," was the reported* remark of one disgruntled exploration team manager of a rival group.

From 1970 to the end of 1979 ST's income rose five-fold and its assets more than doubled. On the way the group formed a new Australian mining finance house, Seltrust Holdings, with assets of A$170m (£84m) which will undertake the group's future mining business in that country.

While others have tended to soft-pedal new mining development in recent years, ST has preferred to plan for the time when demand for metal could overtake supply. The ST chairman, Mr. John Du Cane, a Fleet Air Arm pilot during the war, has warned of possible serious shortages of metals in the late 1980s. "If the world wants metals," he said, "then prices will have to be a good deal higher."

ST is now moving into yet another era where, again harking back to the early days, it will place emphasis on finding the next generation of mines rather than buying further income producing assets.

In a sense, BP is not so much after ST assets as for the group's proven expertise; it already has experience of working with ST. A merger of money and opportunity can be a powerful recipe for success as the rise of RTZ has shown. There could be exciting times ahead for the ST team.

SELECTION TRUST'S ACTIVITIES (1979)

	Turnover	Contribution to revenue	
	£m	£m	%
Minerals, concentrates & natural gas	35.2	9.2	20.4
Quarrying & contract mining	25.1	3.9	8.6
Stockholding & merchanting	59.1	2.8	6.2
Manufacturing	19.5	1.3	2.9
Contracting & technical services	95.4	9.9	21.9
	243.3	27.1	60.0
Realisation of investments	85.5	3.5	7.7
Dividend income	—	6.3	13.9
Interest & other revenue	—	8.3	18.4
	319.8	45.2	100.0

Alienating the Coloureds

THE VIOLENCE which erupted in Cape Town last Monday, and *which has now resulted in at* least 40 deaths, may finally have alienated the one section of the non-white community from which the South African government had any hope of support. Partly because the police have banned journalists from the area, no one knows precisely the total of dead and injured. But what does seem clear is that "coloured"—some 3m people of mixed European, African and Asian descent—are now well on the way to joining the majority of black south Africans in total opposition to apartheid.

Potential ally

There was a time when the coloured community, for obvious reasons unsure of its place in a racially delineated society, was the most natural potential ally of the whites and in particular of the Afrikaners, whose language and culture they share. But instead of fostering coloured support, the Afrikaner government began by taking away the coloured vote and, imprisoned by the rigidities of apartheid, has continued to refuse the community any genuine political power.

Frustration

The protests which culminated in this week's deaths began, as did those among blacks in Soweto in 1976, with school children remonstrating at the poor quality of "apartheid" education. The school stay-aways—for the most part extremely peaceful—was backed by parents and teachers, who more recently staged their own bus boycott following big increases in fares. But coloured frustration, like that of blacks, goes deeper than these grievances. The coloureds in general enjoy a higher standard of living than the blacks, but they still fall well below the whites. They are relegated to townships; they are limited in the jobs they can do; *and like the blacks they are* kept separate in most areas of South African life.

The response of Mr. P. W. Botha's Government to coloured frustration, as to that of blacks, has been inadequate. In a new political dispensation, coloured representatives are now to be offered an opportunity to serve alongside white and Asian nominees on a proposed new President's Council whose role will be purely advisory. Until that is set up, they will have no political institutions through which to talk to the Government.

The six month long session of Parliament which has just ended failed to legislate Mr. Botha's proposed improvements to the Mixed Marriages and Immorality Acts, which are a source of bitterness in the coloured community. While there have been improvements in the conditions in many coloured schools—books, for example, are now more plentiful—there is yet little sign that the government recognises the frustration which stems from segregated education.

Whirlwind

Mr. Botha's government has blamed the riots on criminals, while the police, as the death toll shows, have had orders to shoot to kill to maintain law and order. That, no doubt, they will be able to do for a good while yet: although strikes by black workers in the motor industry and elsewhere are current evidence of continuing black frustration, blacks in general have not joined the coloured protest. And the government's armoury of repressive legislation, as well as its physical capacity to quell internal unrest, remains formidable.

Yet repression ultimately does not work. Indeed, it is probably the surest way of reaping the whirlwind.

MEN AND MATTERS

Show-down let-down

Instead of the fireworks and fisticuffs predicted for so long, shareholders at yesterday's showdown in Glasgow between Tiny Rowland and Sir Hugh Fraser had to be content with a more modest exhibition from Press flash guns and a display of concerted scribbling by the massed ranks from the Fourth Estate.

Rowland, through fellow Lonrho director Edward DuCann, withdrew his special resolution which would have forced House of Fraser to increase its final dividend by 50 per cent. But on the question of re-election of directors — Lonrho was trying to unseat four and replace them with its own men—events took an unpredictable turn.

The men under threat found an unlikely ally in Rowland himself. True, 45m shares had been cast against them, including 45m from the Lonrho portfolio, but proxies carried the day. Rowland, quixotic and with a knowing smile, raised his hand in their favour.

What was he up to?

"I was sitting here," he explained, "as a director of House of Fraser, and a deputy chairman of House of Fraser, not as a director of Lonrho, not as a shareholder of House of Fraser. Therefore I am entirely on the side of Sir Hugh and the board.

"I like being on the winning side. I felt desperately sorry for Mr. DuCann."

"Now we know why their petrol keeps going up"

Sir Peter, cook

A local council ban on the sale of Thorpe Thewles Women's Institute non-regulation jam will be raised in the European Parliament next month. Taking the Commission to task on this burning issue is Sir Peter Vanneck, member for Cleveland, who has been careful to declare a personal interest.

The former Lord Mayor of London admitted in Strasbourg yesterday that his wife's marmalade is much in demand at charity sales. And the man himself, when not sailing or playing a rubber of "bad bridge" dons a pinafore to make tomato chutney and crab apple jelly.

Drug cure

The U.S. drugs group Smith-Kline *has long arms and deep* pockets. To celebrate its 150th birthday, the company has committed itself to spending heavily on refurbishing the tatty Franklintown area of its corporate home town, Philadelphia, named after Benjamin Franklin who died there in 1790. Only by chance did chairman Robert Dee hear that there was also work to be done in Britain, but he reached across the Atlantic this week with $200,000 when he heard that Franklin's London home in Craven Street—now owned by British Rail—was in some danger of falling off its foundations.

The present tenant, The Science Policy Foundation, is much relieved that it can at least start on its restoration, director Dr. Maurice Goldsmith tells me. But he calculates he will need at least five times the SmithKline contribution to complete the operation.

While some of his sub-tenants, like Survival International, and the Minority Rights Group are hardly likely to contribute much, perhaps Goldsmith can hope for something from the transcendental meditators who, on the top floor, *follow* the teachings of the profoundly respected and profoundly wealthy Maharishi. But I am forgetting Franklin's own teaching: "He that lives upon hope will die fasting."

Moving back

With the Iranian embassy still a charred shell, the Islamic revolution's men in London have recently been attending to their diplomatic doings in the former educational section in a leafy Kensington square. Next week, though, it's back to Princes Gate—not to camp out in the ruins—but to another embassy building just along the street. Modifications have been in progress for some weeks and now the desks and filing cabinets are being installed.

The move, however, is only one of the changes taking place at the embassy. Of Dr. Ali Afrouz, chargé d'affaires since the revolution, and one of the hostages during the siege, there is now no sign. "Some personnel changes are taking place," is the cryptic response to inquiries. And while I hear the mullahs' new emissary has arrived, his identity is secret. Among those anxious to make his acquaintance is our own Government.

Full of vim

They are nothing if not discreet up at the Vimto works in Wythenshawe. Earlier this week when the company bought a £4m drinks cannery, chairman Peter Nichols made vague noises about "possible expansion" into North America.

Yesterday the possibility became reality with word from St. Louis that the Philip Morris subsidiary, Seven-Up, had taken exclusive rights to make and sell the drink in the U.S.

Curious in flavour, lurid in colour and penetrating in its sweetness, this extraordinary beverage is hardly known in Britain outside its home territory in the North West—and little advertised even there. And the company J. N. Nichols (Vimto) finds it difficult to explain adequately its relatively recent success in Arab countries or the interest of Seven-Up.

Indeed, Joseph Pearson, the man who holds the secret recipe, seems distinctly nervous at the possibility of a runaway success in the States under the heavy promotion of Seven-Up. Most of the concentrates which go into the drink in its cordial and aerated versions, are still handled by him.

And, director Brian Kilby tells me, the works are already going flat out to keep up with domestic and Arab demand. "I hope it gets off the ground over there," Kilby says, "but not too quickly."

Even now, he explains, were the company to supply the Gulf countries with all they asked for there would be nothing left for the faithful home consumers, who have been drinking Vimto since 1909 when "Grandad" Nichols first brewed "Vimtonic" in his Manchester laboratory.

For the moment, however, Vimto will be sold in the States only in its modern form—aerated in cans. The cordial, which has to be poured out and mixed with water, Kilby thinks, is "a little too labour-intensive for the Americans."

Mistaken identity

It was a gremlin, not I, who dubbed John Wagner "managing dictator" of BMW (GB) the other day. As managing director Wagner's secretary told me yesterday: "He's not like that at all . . . he even queues in the canteen with the rest of us."

Observer

World summit: it's cosy at the top

BY REGINALD DALE

THERE IS an element of "If it's Monday it must be Moscow" about this weekend's world economic summit in Venice. Move the date ten days further on and it would fall into the six-month period in which Luxembourg is to preside over the affairs of the European Community. Not only would the Luxembourgers almost certainly be insisting that the meeting be held in the Grand Duchy—they would as like as not be causing consternation in the Community by demanding their own seat at the top table.

Governments not invited to such gatherings can show all the pique of a princess excluded from a society ball. Italy, which was not asked to join the four-power Guadeloupe talks in January 1979, fumed for almost a year. Canada, left out of the first of the world series in Rambouillet in 1975, has since managed to secure itself a permanent place on the guest list. Off stage, the smaller EEC countries remain deeply suspicious of what the bigger countries are getting up to behind their backs, while the European Commission's role in summitry has been the subject of endless arguments between France and its partners.

> **Heads of Government have taken to summitry *like bees to clover***

To resolve such problems, which can take up an awful lot of time in Brussels, the Nine have hit on an ingenious formula. At world summits the Community is represented by the country currently occupying the presidential chair and by the President of the Commission. It just so happens that the summits are always held when the Presidency is held by one of the EEC Big Four, which would be there anyway. The small countries are neatly excluded and a regular cast list has been made up of the leaders of the U.S., Canada, Japan, Germany, France, the UK and Italy and the Commission President.

What has inevitably happened is that these seven-nation meetings, originally conceived of by President Valery Giscard d'Estaing as an informal means of by-passing existing institutions, have themselves become institutionalised. The same fate has befallen the other brainchild of the French President, the nine-nation Community Heads of Government meetings.

The "world" version, originally intended to take place once every two years, is now staged roughly every 12 months. Some senior officials feel that that is too often, and too inflexible, but the Heads of Government have taken to summitry like bees to the clover. Summits can be conveniently used as platforms to project a statesmanlike image, and summit agreements are thought to be useful in pushing through unpopular policies at home. The theory is that stiff medicine will be less unpalatable if it can be shown that everybody else is also taking it.

Inevitably too, the summits have become great media circuses, attended by hundreds, if not thousands, of reporters, commentators and technicians. That suits the Heads of Government very nicely. They need the television cameras to impress voters at home with the prestige of the occasion.

There are, of course, pitfalls—as Mr. Callaghan discovered on his return from sunny Guadeloupe to a strife-torn wintry Britain. His famous "What crisis?" response to a question at London Airport about the country's plight in his absence must go down in the annals of political flat-footedness. His predecessor Sir Harold Wilson was somewhat cannier on an earlier trip to the Caribbean. He insisted on giving an outside television interview in front of a large bush so as to blot out not only the adjacent swimming pool but the spectacular coastal mountain scenery beyond it.

There are other ways the Press can be made use of, starting as it does from a state of complete ignorance about what the participants have actually said to each other. Early briefings are likely to be on the level of "the atmosphere is remarkably good and I may be able to let you have a copy of the dinner menu later on." The Press is then fed the titbits thought most suitable for home consumption, which may not always reflect what has actually gone on at the meeting. After the EEC's London summit, the German Chancellor, Herr Helmut Schmidt released a tough statement to the German Press on the need to restrict Mediterranean migrant labour when the Community is enlarged to include Greece, Spain and Portugal. The implication that he had said the same thing to the other Heads of Government subsequently proved to be unfounded.

Gamesmanship and brinkmanship run rife. At virtually every EEC summit, the word goes out that such and such a Head of Government absolutely has to leave by a certain time — putting pressure on the others to make concessions or face failure. The French delegation has a trick of revving up the engines of the Presidential limousine to reinforce the impression, while the British tend to quote night-flying restrictions at UK airports to underline the need for an early departure.

Most hard-pressed are the senior officials, who traditionally stay up half the night completing the final communique, even though the first draft has usually been prepared long in advance. This weekend's Venice communique is said to have virtually finished two weeks' ago at official level, but the Heads of Government will still want to pick holes in it. At Community meetings, the officials have the further problem of not always knowing what their masters have decided. Sometimes only Heads of Government and Foreign Ministers are allowed into the conference chamber, with Foreign Ministers reduced to the role of note-takers, in subsequently undecipherable handwriting. After one EEC summit a Prime Minister confessed privately to journalists that he had taken extremely copious notes on an obscure point about the Common Agricultural Policy because he could not understand what the others were saying. He wanted to find out later what it had all meant.

There is less of a problem at the world summits, where the officials are allowed in as note-takers. But there are no Community-style booths for interpreters. The lingua franca is English. Those who need translation, usually the Japanese and Italians, have their own interpreters sitting beside them whispering discreetly in their ears. Even with full simultaneous translation misunderstandings can arise. When the Irish chairman adjourned a summit in Dublin for a short break, the Italians thought the day's session was over, got into their cars and left. The police had to be sent, sirens blaring through the city's streets to bring them back.

On the whole, however, international summitry tends to generate more mutual understanding than misunderstanding. The argument that it is good for the world's leaders to get to know one another does not always hold water. Getting to know is not always synonymous with getting on with. But advocates of summitry say that it enables the western world's leaders to see the problems they face in their own countries in a slightly wider perspective. It provides, in the words of one veteran summiteer, "a bit of mutual therapy. It helps them to screw up their courage to do things at home by giving them an international alibi."

Equally, contacts are not limited to the round-table sessions. British Prime Ministers usually expect to meet each of the other six participants separately at world summits and there is no limit to the topics that can arise in the corridors. At past world summits there have been bilateral Anglo-American discussions on subjects ranging from Northern Ireland to the Concorde, and at last week's EEC summit in Venice (now known in the trade as "Venice One"), Mrs. Thatcher and President Giscard d'Estaing discussed, and apparently thought they had agreed on, the New Hebrides.

It would be a rash man who argued that the world summits (of which this weekend's "Venice Two" will be sixth) have made a major impact on the course of history. The first at Rambouillet helped to patch up a Franco-American quarrel by agreeing to try to correct disorderly conditions on the foreign exchange markets. But within two years it was followed by lira and sterling crises. The second, in Puerto Rico in 1976 is now widely regarded as a non-event, the main purpose of which was to boost President Ford's re-election chances.

The third, in Downing Street in 1977, saw the emergence of the concept of "locomotive" economies, in the hope that Japan and West Germany would pull the others back onto a growth path, and it probably helped to ward off the growing forces of protectionism. The locomotive concept was taken a step further in Bonn in 1978, when Japan and West Germany agreed to stimulate their economies in exchange for an (as yet unfulfilled) promise by President Carter to deliver an American energy policy.

> **Summits tend to generate more understanding than misunderstanding**

Energy was the dominant theme in Tokyo last year, with agreement on a series of reduced oil import targets. At the time, that was hailed as a success, but the gathering recession has rendered the Tokyo targets irrelevant and the International Energy Agency (IEA) in Paris is now trying to reduce them further.

This time, energy will once again be on the agenda and the IEA is likely to be given a pat on the head for its efforts. Otherwise, the group of high officials preparing the summit (the Sherpas, as they are coming to be known) are said to have identified inflation and the North-South dialogue as the main problems requiring attention. But the prospects of a breakthrough on the latter do not look good, if only because the Community representatives are not arriving with a pre-agreed joint position as they did on oil in Tokyo.

The main difference this time will be the increasingly political nature of what used to be predominantly economic discussions. The U.S. is pressing for between one-third to a half of the time to be spent on international issues like Iran and Afghanistan. It is, after all, the first world summit since the Soviet invasion of Afghanistan — indeed many Europeans felt that a special summit should have been called in January in the wake of the invasion.

But it will not be all plain sailing. Western consultations immediately post-Afghanistan were hampered by France's unwillingness to indulge in what Paris calls bloc-to-bloc diplomacy. President Giscard d'Estaing will no doubt be prepared to enter the discussions in his capacity as a world statesman, but the same French reservations about the bloc-to-bloc approach may prevent anything very concrete emerging. President Carter is worried about the message, particularly on arms control, that Herr Schmidt will take to Moscow in 10 days time.

It could all turn out to be rather inconclusive. There is a lot of ground to cover in very little time. At least one old hand believes that each summit should choose one issue and stick to it. Another agrees that the participants should be set a particular task to do rather than generally review the state of the world. Yet another says, somewhat forlornly, that if only one summit in three rates as a success it is still all worthwhile.

WORLD ECONOMIC SUMMITS: A POOR SCORECARD

1975	RAMBOUILLET	Agreed to counter disorderly market conditions and erratic fluctuations in exchange rates. Sporadic success—"spirit" lives on.
1976	PUERTO RICO	Little economic significance. Main purpose to promote President Ford's re-election chances. Ford not re-elected.
1977	DOWNING STREET	Agreed to try for slightly higher economic growth and actively to combat protectionism. Probably helped keep protectionism at bay.
1978	BONN	Germany and Japan agreed to stimulate their economies in exchange for U.S. introduction of energy policy. They kept their side of bargain. U.S. did not.
1979	TOKYO	Oil import targets set for main western industrialised countries. A success at the time, but targets overtaken by subsequent recession.
1980	VENICE	Wait and see.

Letters to the Editor

Economic policy

From the Managing Director, EBS (Management).

Sir,—I am saddened to see John Elliott (June 17) joining the ranks of Mrs. Thatcher's detractors.

A high exchange rate for the pound is good, not bad for British business. As a nation of importers we get better value. For decades the fallacy has been perpetuated that the key to exports is price. This philosophy is appropriate to a down market third-world country—not a supposedly advanced industrial economy such as Britain.

Britain should be following the Swiss example (where a high value currency lost them the cheap end of the watch market) and concentrating on areas where product quality, delivery dates, etc, matter more than price. We do well in professional services (the true invisible sector) but have failed lamentably on product quality.

British management has been fed a dribbling stream of human relations nonsense as the solution to the problem of over-expensive recalcitrant and incompetent labour. The wets have continuously belittled the role of money as a reward and the role of the sack as a deterrent. In periods of over-full employment combined with ridiculously high unemployment benefits and high marginal rates of tax these basic tools of the management trade have been allowed to rust. Now when management ought to be grateful for a minute rise in unemployment levels, only the most short-sighted wet is going to start panicking. Which company does Mr. Elliott know that is not desperately trying to recruit the right kind of people? And we still have to abolish the Employment Protection Act (the legacy of Harold Wilson's underhand deal with the unions) to compel recipients of unemployment benefit to do whatever slave jobs may need doing and to break the monopoly power of blue-collar unions that are still, for example, powerful enough to compel London Transport to employ two people to run a train when one will do.

Mr. Elliott explains about companies biting the dust because their over-expensive labour prices them out of world markets. This is the corrective process at work. This process increases unemployment and should bring down the price of labour. Unfortunately with 4m employees in the public sector this natural economic law has been prevented from operating. Unions have been able to drive up the price of the lowest quality of labour to unrealistic levels and this has pushed up the price private sector employers have to pay. In consequence much of the national cake has been shared out willy-nilly to people whether they work or not so that we have become a leisure-orientated society and nothing worthwhile is left to motivate the people who really do work.

We suffer from earnings compression. We need a remuneration ladder where the net-of-tax return at the top is a few thousand times that at the bottom. In this way each rung is important and getting up to the next rung acquires an importance that dwarfs anything else. Such an economic climate will have the most beneficial social effects. As well as being a high-growth, high-living standard society the virtues of positive competitive individualism will be restored to their proper place and the neurotic introspection mirrored in so much of the depressing literary output of recent decades will soon be dated as quaint "period" stuff.

Current UK interest rates are low not high. All borrowers want cheap money. But for a lender any rate of interest below the rate of inflation is getting 17 per cent (and many people are getting less) in a period of 20 per cent inflation he must be a massochist or a philanthropist. Organised labour has in recent years pre-empted such a large slice of the national cake that investors have not been able to get a proper return. If a pension fund which pays no tax can only just maintain a real rate of return, what about the private investor who pays 75 per cent tax (including investment income surcharge)? Small wonder that many private investors prefer to put their money in Krugerrands or industrial diamonds rather than industries dependent on British blue-collar labour.

What is astonishing is that there are any investors still willing to leave their money in the hardware unionised sectors of British industry. Is it inertia, habit, or the genuine belief in a Thatcher spring and summer? This latter explanation is the one that we would all like to believe but it will require the medicine of much tougher labour policies than Mr. Prior has so far shown himself willing to administer as well as the medicine of monetarism.

Dryden Gilling-Smith,
38 Finsbury Square, EC2.

Insurance bonds

From the Chairman, Life and Pensions Committee, British Insurance Brokers Association

Sir, — Mr. Hughes-Onslow (June 11) suggests that insurance brokers by selling unit-linked insurance bonds are deliberately diverting investment money which should properly be invested in unit trusts. Capital gains tax legislation is apparently Mr. Hughes-Onslow's only test as he dismisses various bond features not available to unit trusts as being of "nebulous value."

While in a particular situation investment and tax considerations must be considered jointly. I think that it is important to first examine the investment differences between bonds and unit trusts bearing in mind that investors are not nowadays always as enthusiastic about equities as unit trust managers.

Until the Finance Bill becomes law, a bond investing directly in property or gilts remains the best unitised investment medium for these sectors of the market which is readily and easily available to the public at large. An additional consideration is that "managed" bonds provide an element of continuous investment management over all sectors of the market which is not available through unit trusts which are limited to equities. I would not consider these features as "nebulous" and they would, I suspect, account for the bulk of bond investments made solely on investment considerations particularly where tax is a secondary feature.

At this point, therefore, Mr. Hughes-Onslow's criticism should be restricted to bonds investing in equities which then equate with unit trusts. In this area, the tax considerations come much more into play and it should be readily accepted by a competent adviser that a basic rate tax payer who wishes to invest in equities will fare better in tax terms by using a unit trust than a bond—assuming a "gain" is made.

Where higher rate tax payers are involved, the advice cannot be so clearcut with different results being possible depending upon the mix of income and growth in the overall investment performance. In very general terms, if the income yield is substantially higher than the growth rate, then a bond is likely to produce the better investment return for a high taxpayer, particularly when there is a predetermined requirement for an annual cash withdrawal in excess of the net income yield from the unit trust. All of these points were well made in Eric Short's original article but ignored by Mr. Hughes-Onslow. I would suggest to Mr. Hughes-Onslow that sweeping generalisations are just not possible in this area.

It seems surprising that Mr. Hughes-Onslow should suggest that unit-linked insurance products weaken the unit trust industry when a number of unit trust groups would appear to have relied heavily on this source of new money over the past few years, particularly when regular annual premium business is included. The in-put from insurance products has had a stabilising effect on funds under management and would seem to be more than welcome to most unit trust groups as evidenced by their desire to establish links with the insurance industry.

J. L. McKirdy.
Noble Lowndes
Personal Financial Services,
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Wellesley Road, Croydon.

Rates—water and others

From Mr. A. Doe

Sir,—I suggest that a good deal of Government troubles with local authority overspending and water authorities could be quickly improved by a temporary change in the domestic rating system while a better system, if there is one, is worked out at leisure. Services covered by rates are essentially "per person." Fire and police protection is all that empty properties require; they do not use other services such as water, sewerage, refuse removal, education, libraries, etc., so it is pointless to relate rate demands to properties.

Too many voters in local elections are completely unaware of the rate burden. We would see greater support for cutting spending if rates were levied per capita of the adult population and we have the means already to hand, the electoral roll. Basically, the rate demand would go to the occupier, but instead of being on rateable value it would be the rate per head for the number of voters in the house. It follows that any rate relief would be related to the total income of all the voters in the house, not that of the occupier alone, who might well be a widow(er) with only the national retirement pension. Houses temporarily out of the electoral roll through being unoccupied at the time of the return would be covered by an average figure or by a requirement to put in a return as soon as occupation took place. There would have to be a degree of investigation to cover rate dodgers but we would eliminate the valuation system with its officials (that will cause a howl of anguish). Representation and taxation would go hand in hand, which it does not at present.

For water and sewerage charge per head is much more equitable and thus water authorities could be prohibited from setting up their own charge collecting system, depending instead on their proportion being included in the general rate. This separate charging system has caused grave concern because of the increasing bureaucracy and the impact of, in some cases, three separate bills, from the water-company, water authority for sewerage, etc., and the local authority for general rates.

It is quite ridicrous to contemplate spending £1.5bn to instal water meters in private houses (June 11) as is occasionally suggested for the good reason that a high minimum charge would have to be maintained to prevent householders cutting down on water to the detriment of health and in particular the proper operation of water-borne sewerage systems. Water is unlimited and infinite as it cannot be wasted. Whatever one does with it, it returns as water. We can only waste the energy and plant, etc., to make it suitable for our use and available. It always seems strange that we can shift oil and gas across the world yet be incapable of moving adequate amounts of water from those parts of the country where it is in excess to where it is needed, yet we can contemplate huge exependiture on meters that will not produce one drop extra.

If the will was there, next year's rates could be collected on the methods I outline; rush a Bill through to operate it for five years while alternatives are explored. Warn local authorities to start working on the new basis as the act will be operational before April 5 next. It could be done if we really wanted to.

Arthur H. Doe,
Brockhurst,
Elm Grove,
Barnham,
Bognor Regis, Sussex.

Liquidity and inflation

From Mr. J. Mitchell

Sir, — Some societies live within their means, others live beyond them. The change from one condition to the other is in my definition a change in "liquidity." The extent of liquidity governs the possible growth, enforced contraction, or even collapse of society. If the society concerned is a nation, the visible signs of falling liquidity are inflation and industrial contraction. Britain is such a society living beyond its means.

Falling liquidity increases the need for credit, i.e. bank lending and money supply increase. It also increases prices, since by definition demand is exceeding supply. Rising prices and increasing money supply are therefore symptoms of the disease, not the cause of inflation.

Attempts to cure inflation by statutory control of the symptoms are doomed to failure. Limiting the money supply and control of prices in any or all markets including the labour market is an attempt to stem the flowing tide.

I. C. N. Mitchell.
ASB Holdings (Largs),
78 Greenock Road, Largs,
Ayrshire.

Today's Events

GENERAL

U.K.: Second and final day of International Herald Tribune—Oil Daily conference at Royal Lancaster Hotel, London, on Energy Emergency: Oil and Money 1980—guest speaker at lunch, M. Ulf Lantzke, executive director, International Energy Agency, Paris.

Sir Peter Gadsden, Lord Mayor of London, attends Service and General Council meeting of the Mercers' Company, Mercers' Hall, Ironmonger Lane, EC2.

Queen Margrethe II of Denmark visiting York to inspect Coppergate Viking Excavations.

Overseas: President Carter begins official two-day visit to Rome for talks with President Alesseandro Pertini and Prime Minister Fransesco Cossiga of Italy.

Foreign Ministers for Central America and Panama meet on political and economic problems of the region, Nicaragua.

European Parliament in session, Strasbourg.

PARLIAMENTARY BUSINESS

House of Commons: Debate on the West Midlands.

House of Lords: Laboratory Animals Protection Bill, committee stage.

OFFICIAL STATISTICS

Gross domestic product (first quarter).

COMPANY MEETINGS

BAT Industries, St. Johns Smith Square, Westminster, S.W., 12. Coats Patons, Merchants Hall, 30, George Square, Glasgow, 12. Dollar Land, Winchester House, London Wall, E.C., 12. East Surrey Water, London Road, Redhill, Surrey, 10.30. Evered, Birmingham Chamber of Industry and Commerce, 75, Harborne Road, Birmingham, 12. Macdonald Martin Distillers, Queens Dock, Leith, Edinburgh, 12. Pritchard Services, Dorchester Hotel, Park Lane, W., 12.

COMPANY RESULTS

Final dividends: British Tar Products. Dorrington Investment. Finance and Industrial Trust. F. H. Lloyd Holdings. Wedgwood. Interim dividends: Bluemel Brothers. Brunner Investment Trust. Grange Trust. J. F. Nash Securities. Raeburn Investment Trust. Recond Ridgway.

SPORT

Cricket: Second Cornhill Test, England v. West Indies, Lord's.

Athletics: Scottish Championships, Meadowbank, Endinburgh.

Racing: Royal Ascot.

CITY OF LONDON LUNCH-TIME MUSIC

Malcolm Burnock Orchestra, Tower Place, E.C.3., 12.

Organ recital, John Scott, St. Paul's Cathedral, 12.30 pm.

Sylvie Boisvert, viola, Guildhall School of Music and Drama, Barbican, E.C.2., 1.10 pm.

Singers' Workshop, St. Mary Woolnoth, Lombard Street, 1.10 pm.

Recorded music — Rimsky-Korsakov, Church of the Holy Sepulchre, Holborn, 1.15 pm.

CITY OF LONDON TALKS

Chelsea Physics Garden by Allen Paterson, Museum of London, London Wall, E.C.2., 1.10 pm.

Recent Work in Leicestershire Archaeology by Peter Lidell, City Temple, 7 pm.

Buoyant demand and mild winter boost ECC to £19m so far

THE MILD winter, coupled with buoyant demand for the clay and quarries divisions' products, enabled **English China Clays** to boost taxable profits up from £10.43m to £19.07m for the half-year to March 31, 1980. Turnover rose by £46.07m to £169.97m.

Lord Aberconway, chairman, says that in most recent years second-half profits have substantially exceeded those in the first six months. This time, as a result of the good trading so far and the onset of the recession, this pattern may not be repeated. However, full-time results should still show an improvement on the £33.12m achieved in 1978-79.

Demand for the clay division's products held up well in the first half, especially for the higher grade qualities for paper coating, but it is clear the recession has begun, the chairman says.

The group will be facing fierce competition at a time when demand is reduced, when cost inflation is high, and when sterling is buoyant to the disadvantage of exporters.

Prices were raised with effect from January 1 to counter increasing costs, particularly in energy, but these cannot be repeated too often without detriment to the product's competiveness, he adds.

The group's overseas producing companies in America, Australia and Italy all did well. However, in France, where clays are produced primarily for the ceramic market which was dull, trading was disappointing.

The quarries division had a busy half, in marked contrast to 1979. Public funds for construction continue to be curtailed which is starting to hit demand. There is little compensating upsurge from the private sector with current interest rates.

The building side has, in the light of major reduction in all construction, withdrawn from tendering through its direct building department for the few large but highly competitive projects which remain in the far south west of England. This has meant, and will continue to mean, further redundancies, the chairman says.

The private estate department had a reasonable half, although it sold fewer houses than expected. The leisure department continued to develop and upgrade its parks during the winter.

The net interim dividend is raised by 18 per cent to 2.5p (2.1175p), and the directors expect to recommend a final at least equal to the 2.8825p paid last year. Stated earnings per 25p share are up from 5.53p to 8.35p for the half-year.

Tax jumped to £5.6m (£1.5m). The charge would have been £3.7m (£3.45m) higher if deferred tax had been provided on the excess of capital allowances over the provision for depreciation of fixed assets.

The pre-tax surplus was arrived at after transferring £0.53m (£0.68m) from capital grants account to profit and loss account, and after charging £7.59m (£6.04m) depreciation. Last year there was also a £1.19m charge in respect of remuneration for an earlier year frustrated by Government pay policies.

● comment

With a rise of over 80 per cent in first half pre-tax profits, **English China Clays** outstripped market expectations, though clearly the company in its statement is anxious to prevent hopes for the full year running too high. A key factor in the first half was the better weather compared with the exceptionally bad early months of 1979, something which helped quarrying as well as the china clay side. As the 37 per cent jump in turnover shows, ECC has benefited from recent high demand levels and substantial prices rises, but since April the recession has become evident and the company is planning a two-week holiday shutdown in August, so that for the full year clay shipments could be a little less than in 1978-79. Still, pre-tax profits should be the right side of £40m, and at 95p the shares yield 8.3 per cent, well covered.

ORDER RESCINDED

A compulsory winding up order made on June 9 against **Berryperch Ltd.** was rescinded and dismissed by consent in the High Court.

Racal up £2m and looks for Decca to break even

TAXABLE profits of **Racal Electronics** rose by £2m, in line with expectations, to £63.62m in the 12 months to March 31, 1980 and the directors of the group, which recently acquired Decca, forecast that the current year will be "their best for years."

They expect Decca to break even as a whole, with the capital goods side achieving a trading balance, and Racal to improve enough to result in no dilution of earnings as a result of the acquisition.

Decca's anticipated contribution to the group sales target of £500m is in excess of £150m, states Mr. Ernest Harrison, Racal's chairman.

Racal's earnings, after tax of £22m (£23.1m) are shown up from 16.88p to 18.06p, and the net dividend is effectively raised from 3.75p to 4.125p with a final of 3.075p.

Turnover went ahead from £226.69m to £263.74m, with radio communications soles declining from 44 to 38 per cent of the total, and data communications up from 32 to 39 per cent. The proportion of turnover accounted for by the group's ather activities slipped a point to 23 per cent.

The £80m orders for radio equipment announced in January had little effect, say the directors, since very little was delivered before the year end. But there is no underlying trend of a alck of orders for tactical radio, nor of a recession in data communications business in the U.S. or elsewhere.

Racal now believes Decca's losses in its last financial year may be more than the £10m indicated at the final stage of the takeover battle. The additional loss, not yet qualified, relates to the recording business sold by Decca and involves payments connected with termination clauses. Decca's results for 1979-1980 should be produced in September.

Racal's stock levels at the year end were rather higher than they would like, say the directors, and current borrowings approach £100m.

Lex, back Page

HIGHLIGHTS

The approach made by British Petroleum to Selection Trust with a view to a bid dominates the Lex column. The oil company's mooted expansion in the mining sector is analysed as is the growth of sterling M3 and the sharp acceleration in Domestic Credit revealed by the Money Supply statistics. Lex also looks at the results from Racal which, as foreshadowed, demonstrate a marked slowdown. Elsewhere, English China Clay has enjoyed the mild weather and good demand and profits are sharply higher. Tunnel, too, has basked in the abnormally high winter temperatures but is now warning that trading conditions are deteriorating sharply. S. and W. Berisford reflects the softness of most commodity markets and Baker Perkins has reason to be disappointed with the performance of its packaging machinery division and German associate. Mallinson Denny, the timber group, is asking shareholders for £10.7m to fund high stocks and provide an acquisition platform but prospects here are similarly cloudy.

Butterfield-Harvey falls behind in wake of earlier disruptions

EXTERNAL disruptions during the first *nine* months were largely attributable to **Butterfield-Harvey** reporting drastically reduced pre-tax profits in the year to March 29, 1980. The figures fell from £2.76m to £1.26m, after interest up from £576,000 to £990,000. Associates profits amounted to £346,000—an increase of £63,000 over the previous year.

In the first half, profits plunged from £1.56m to £111,000.

Turnover of the company, which has interests in axial flow pumps, garden products, office furniture, industrial hydraulics equipment and the manufacture of caravans, was up from £54.68m to £58.61m.

After tax, halved at £270,000, and minorities, profit attributable was £1.02m (£2.19m), and the stated earnings per 25p share are reduced from 15.1p to 7p. The final dividend is unchanged at 1.5 for a total of 2.8p (same).

Despite the current economic climate, the board is confident that the group has the ability to achieve better results in the present year.

There was an extraordinary debit of £269,000 (£266,000 credit) which included the net cost of disposal, discontinuance and reorganisation of activities. The sale of the remaining area of the Greenwich site has not yet been completed.

Investment in plant and buildings during the year totalled £1.7m. Group borrowings increased by £1.4m, of which £1m was funded by way of a medium-term loan. Further investment is planned for 1980-81 with major projects for Shelvoke and Drewry, Beldray and Greenwich.

● comment

Butterfield-Harvey has scrambled back from a disastrous first half and almost matched its 1979 *second half performance.* The final dividend, which had been in question after an attributable loss at the interim, has been maintained. Current prospects are clouded by cuts in consumer and government spending although demand for special vehicles remains good. Lower capital spending is planned this year and the company expects to curb the recent rise in debt. At 41p, down 2p yesterday, the shares yield 10.1 per cent and trade at 5.6 times stated earnings of 7p a share.

KEYSER ULLMANN

Grieveson Grant and Company, on behalf of discretionary investment clients, purchased 25,000 Keyser Ullmann Ordinary at 81½p and 25,000 at 80½p, on June 17. Due to agency error, Grieveson Grant were said in yesterday's paper to be acting as associates of Charterhouse Group.

Baker Perkins £1.4m off second-half forecast

SECOND-HALF profits some £1.4m short of the midway forecast left **Baker Perkins**, manufacturer of machinery and equipment for the food, chemical, packaging and printing industries, well down for the year to March 31, 1980, at £6.46m compared with £9.86m.

The outcome reflects reduced trading profits from food processing and packaging machinery side — down from £8.06m to £5.73m — and heavy share of the associate's losses at £1.35m (£11,000).

Half-time taxable profits fell sharply to £1.31m (£3.31m). The directors said it was clear the full-year result would be somewhat lower than last time but they expected the second-half surplus to exceed the £6.5m achieved in the previous year. In the event, it came through at £5.14m.

The directors now consider it too soon to forecast the outcome for the current year in view of the present uncertain economic climate.

The net total dividend for 1979/80 is effectively raised from 5.16p to 6.45p, as forecast, with a final of 4.35p.

All the major subsidiaries except Rose Forgrove earned profits similar to or greater than the previous year. Rose Forgrove, which makes packaging machinery primarily for the food industry, suffered particularly severely from the engineering strike and a fall in demand in several of its previously active markets outside Europe.

The share of the associate's loss arises from the group's minority interest in Werner and Pfleiderer KG, machinery manufacturer of Stuttgart. The directors say the share of the loss, which has resulted in a reduction in the book value of the investment, involves no demand on the group's cash resources.

UK trading profits fell from £6.86m to £4.58m as a result of increasing pressure on margins brought about by the strong pound, a high level of domestic inflation, and a 5 per cent decline in sales volume. Overseas subsidiaries' profits rose to £4.17m (£3.78m).

Group sales improved by 8.8 per cent to £106m (£97.5m). The sales volume was virtually unchanged after allowing for inflation and changes in exchange rate—the fall in the UK being offset by a similar rise elsewhere in the world.

Stated earnings per 50p share were 9.8p lower at 14.6p, after a reduced tax charge of £1.59m, against £2.37m. Dividends absorbed £2.16m (£1.67m), leaving the retained balance down from £5.82m to £2.7m.

● comment

Baker Perkins' interim forecast has clearly gone awry and, instead of maintained performance, second half profits are down by £1m to cut the total by almost 35 per cent. The reasons for the shortfall are not too difficult to isolate. While the contribution from chemical manufacturing and processing machinery have held up tolerably well, Rose and Forgrove was the only subsidiary to suffer the effects of the engineering strike and demand is, in any case, noticeably reduced. Perkins, however, persists with the medium term view and at least half this year's £6m capital spending programme will be devoted to a new packaging machinery plant. Debt, after the French bakery machinery acquisition in March, now stands at £14m and stands comfortably in relation to shareholders' funds of £48m. It may be some comfort that the continuing losses of the German associate do not impinge on the group's balance sheet but this deficit is substantially greater than the group had been led to expect as recently as last month. dividend is just uncovered Hyde basis but the yield of per cent is only threatened the packaging division in short term and only then if recession deepens severely. fully taxed p/e of 6.6 sugg that the shares at 77p, down yesterday, have reac sufficiently.

Debenhams in loss on CCA basis

CURRENT COST figures f Debenhams in accordance wi SSAP 16 show the departme store group's historical pre-ta profits of £15.82m for the yea ended February 2, 1980 turne into a loss, before tax, of £2.7m. On the same basis, the previou year's profits were down from £23.31m to £12m.

Capital expenditure committed for the year increased from £32.14m to £50.15m, of which £24.78m, against £4.82m, has been authorised by the directors but not contracted for.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Arbuthnot Latham	7	—	6.57	11	10.42
Baker Perkins	4.35	—	3.48*	6.45	5.16*
S. and W. Berisford int.	3.25	Oct. 3	2.5	—	7.5
Braby Leslie	3.1	—	3.01	5.1	5.01
British Steam	3.75	Aug. 1	3.1*	5.25	4.35*
Brown Shipley	7.5	July 31	6.11	13	10.61
Butterfield-Harvey	1.5	Aug. 6	1.5	2.8	2.8
Crest Nicholson int.	2	Oct. 6	1.5	—‡	4.09
Dominion and Gen. Tst.	7.4	July 29	6.75	10.4	9
Elswick Hopper	0.63	July 31	0.55	1.15	1
English China Clay int.	2.5	July 23	2.12	—§	5.0
ERF (Holdings)	2.1	Aug. 13	1.23	4.2	3.4
Hargreaves Group	2.36	—	2.14	3.96	3.59
Arthur Lee int.	0.44	July 25	0.44	—	1.69
Northern Secs. Tst.	3.4	—	3	4.4	4
Pauls and Whites	4	—	3.18	5.75	4.93
Racal Electronics	3.08	Aug. 13	2.8*	4.13	3.75*
Stirling Inds.	1.2	Aug. 6	1.08	1.65	1.46
Triplex Foundries	3.6	Aug. 8	3.6	5.44	5.36
Tunnel Holdings	6	July 28	4.25	9	6.25
Winchmore Inv.	2.71	July 30	2.71	3.11	3.11

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for script issue. † On capital increased by rights and/or acquisition issues. ‡ Final of 2.6p forecast on capital increased by rights issue. § Final of at least 2.8825p forecast.

ISSUE NEWS

Mallinson-Denny £10.7m rights

MALLINSON-DENNY, timber products manufacturer and general merchant, is to raise £10.7m through a two-for-five rights issue at 52p. The money is needed to reduce borrowings and offer flexibility for future acquisitions.

The issue stood at a discount of 24 per cent to Wednesday's closing price of 68½p. But the shares closed 10½p down at 58p yesterday, tightening the discount to 10.4 per cent.

The company announced pre-tax profits for 1979 of £9.2m, on turnover of £225m. The board says that although group sales in the first four months of the current year were some 9 per cent ahead of the same period of 1979, sterling's appreciation and higher interest charges meant maintained pre-tax profits.

Trading deteriorated in May, and pressure on margins together with the world economic outlook could make sales and profitability difficult to maitain in the remaining months, says the company.

An extraordinary general meeting is set for July 7, to increase authorised share capital from £20m to £27m to permit the issue.

The new shares, which will not carry rights to 1979 dividends but rang pari passu thereafter, will be offered to shareholders on the register at June 27. The shares must be paid up in full by July 28.

Th issue is underwritten by Kleinfort, Benson, and Hoare Govett is broker.

● comment

Mallinson-Denny's cash call roughly equals the amount by which it encouraged its timber stocks to increase last year to benefit from tax relief. While it would be misleadingly simplistic to say that the one led to the other, there would seem to be an underlying need to shift working capital funding out of debt and into equity which is sufficiently pressing to make the idea of "future acquisitions" rather a bold one at present. The 1979 balance sheet shows £53m of shareholders' funds to support £47m of debt—though revaluation surpluses help lift CCA shareholders' funds to £60m. The market took a dim view of a rights issue on the back of a bearish current trading statement, and from the look of yesterday's mark-down the underwriters are not to be begrudged their 2¼ per cent commission. On an adjusted historic dividend, the ex-rights yield based on yesterday's 58p closing price would be 9.5 per cent which compares favourably with the market's current average yield of 6.4 per cent.

Equity Capital buys more John Foster

Equity Capital for Industry has bought an additional 400,000 shares of **John Foster and Son**, bringing its interest in the mohair spinner to 14.8 per cent. ECI is also underwriting a two-for-seven rights issue by plastic products manufacturer, **Thurgar Bardex**, which will raise £333,000.

The John Foster shares were acquired from Vantona, the textile group, which has also sold its remaining 790,000 Foster shares. ECI and John Foster have agreed that ECI will receive regular management and financial information as envisaged at the time of the December, 1978 rights issue and that ECI will not deal in John Foster shares while receiving such information and for six months after ceasing to receive it.

The Thurgar Bardex rights issue, at 12½p to shareholders on the record on June 6, is to pay for plant expansion undertaken in the past two years.

The company said profits in the first 20 weeks are "slightly above" those in the comparable period but refused to predict full-year results. The controlling families, which hold about 43 per cent of the shares, are not exercising their rights. Last day for acceptances is July 31.

S. Staffs. Waterworks' £6m tender

South Staffordshire Waterworks Company is raising £6m through an offer for sale by tender of 9¼ per cent preference stock redeemable at par on October 1, 1985.

Minimum price of tenders is £100 per cent. Tenders must be received not later htan 11 am on June 26 with a deposit of £10 per cent on application. The first dividend on the stock, covering the period from June 26 to September 30, will be £1.6989 per cent and will be payable on October 1. Thereafter, dividends will be calculated to March 31 and September 30 payable on April 1 and October 1.

SPAIN

June 19	Price %	+ or —
Banco Bilbao	216	—3
Banco Central	246	—2
Banco Exterior	210	—3
Banco Hispano	213	—5
Banco Ind. Cat.	122	
Banco Madrid	141	
Banco Santander	279	—3
Banco Urquijo	152	
Banco Vizcaya	223	—2
Banco Zaragoza	200	
Dragados	77	
Espanola Zinc	60	
Fecsa	64.2	—0.3
Gal. Preciados	27	—2
Hidrola	69	+0.3
Iberduero	67.2	+0.7
Petroleos	108	—0.5
Petroliber	79	
Sogefisa	107	
Telefonica	59.7	+1.7
Union Elect.	63	—1

Crest Nicholson higher

FIRST-HALF taxable profits of **Crest Nicholson**, the property development, engineering and leisure group, rose by £304,000 to £1.91m, and the directors expect the full year to be another successful one, marking an important step in the group's progress.

As announced, the interim dividend is stepped up by 0.5p to 2p, and the board expects to pay a final of 2.6p on capital increased by the proposed rights issue. Last year's total, from pre-tax profits of £4.33m (£2.81m), was 4.08838p.

Turnover in the six months to April 30, 1980 rose from £19.76m to £21.35m. After tax of £995,000 (£676,000) and minorities' profits last time of £19,000, there is a net surplus before extraordinary items of £919,000 (£915,000).

Dividends absorb £331,000 (£248,000) and earnings are shown as 5.6p (4.9p) fully taxed.

The group's property development activities are on course to achieve an improvement over last year, say the directors, and on the commercial and industrial side, the Crofton companies are continuing to trade well above the level expected when they were acquired last year.

The sports surface companies and D. D. Lamson are performing well, but the marine, pump and generator businesses are operating at a lower level than in the past. Steps are being taken to shape them for the difficult market conditions, they add.

The planned rights issue is expected to raise £2.03m after expenses, including capital duty, of £38,000. Total expenses of the recent acquisition of the Sharron companies are estimated at £63,000.

UK COMPANY NEWS

Tunnel profits increase 60% to over £10.5m

AN ADVANCE in second-half taxable profits from £3.04m to £5.26m enabled **Tunnel Holdings**, the construction materials, waste management and speciality chemicals group, to reach £10.52m for the 53 weeks to March 30, 1980, up 60 per cent on the previous year's £6.58m. Turnover climbed by £26.79m to £94.82m.

The directors attribute various factors to the record result. These were a satisfactory first full year's contribution from the speciality chemicals side, the near completion of the cement rationalisation, milder winter conditions, and much improved performance generally from the group's associates.

At the same time in the waste management services operations, full support continued for world-wide development of Stablex. Progress is being made in the time-consuming area of legalisation and planning approvals.

There can be little doubt that UK trading conditions are rapidly deteriorating and will be poor in the short term, the directors state. The international climate generally is expected to pose similar problems.

Although growth will not be easy to achieve against this background, they say the group is now well organised for the future.

Since the year-end, cement rationalisation has been completed with the sale of the Scottish operation at Gartsherrie to Ribblesdale as an integral part of the decision to build a new 740,000 tonne per annum dry kiln at Ribblesdale. In addition, total coal conversion was completed at Pitstone in mid-June.

Earnings per 25p share are shown well ahead at 33.9p (18.2p) before extraordinary items, and at 35.3p (16.5p) after. A net final dividend of 6p raises the total payout from an adjusted 6.25p to 9p per share.

The balance sheet remains strong with little gearing and the positive cash balance at the year-end has since been further enhanced by the sale of Gartsherrie. As the Ribblesdale project has been financed off balance sheet, the group has adequate funds to support its continuing development.

	53 weeks 1979-80 £000	52 weeks 1978-79 £000
Turnover	94,815	68,030
Group	67,352	44,240
Associates	27,463	23,790
Depreciation	2,029	1,682
Trading profit	7,293	3,653
Share of assocs. profit	2,874	1,716
Investment income	28	41
Net int. receivable	323	1,190
Deb. interest payable	—	77
Exceptional credit	—	52
Profit before tax	10,518	6,575
Tax*	1,815	1,939
Net profit	8,703	4,636
Exchange losses	515	207
To minorities	16	19
Extraord. credit	391	†395
Attributable	8,563	4,015
Pref. dividends	43	43
Ord. dividends	2,161	1,514
Retained	6,359	2,458

*Tax charge no longer provides for deferred tax in full. Comparatives are adjusted. †Debit.

● comment

The performance of T. W. Ward's cement interests last year had given a clear guide to a marked upturn at Tunnel, duly confirmed by annualised pre-tax growth of 57 per cent. The response yesterday, however, was to mark the shares down 14p to 226p, prompted by the rapid deterioration of trading conditions in the last few weeks. Tunnel believes that volume is down by 5 per cent in the current financial year but the market's reaction possibly ignores a reduction of operating costs effected by the rationalisation programme and the potential of the speciality chemicals division which made £2.52m against £1.6m before interest and tax. Margins here may be weakening a little as the textile market softens but chemicals have done much to double the proportion of non-UK profits to 26 per cent and to boost the overall return on funds employed by almost 10 points to 23 per cent. Gearing is just 7 per cent, the reduced capital spending programme will be comfortably covered by cash flow and the group seems happy that the cost of Stablex development is under control. The overall outlook is certainly uninspiring but the p/e of 6.5 on published earnings should provide reasonable support. The yield of 5.8 per cent, on the other hand, is looking for good medium term growth.

COURTAULDS SELLS FCW KNITWEAR

Courtaulds is to sell FCW Knitwear (Proprietary), a knitwear manufacturer in Johannesburg, South Africa, to Pan Textiles for R2.4m (£1.3m).

Record £4.3m for ERF Holdings

RECORD £4.3M FOR ERFHldgs. A second half boost from £1.73m to £2.55m has lifted the taxable surplus of **ERF (Holdings)**, heavy commercial vehicle manufacturer, to a record £4.3m for the year ended March 31, 1980, compared with £3.34m. Turnover expanded to £82.13m against £68.2m.

At the interim stage, profits of this group, which also makes fire appliances, had risen slightly from £1.61m to £1.75m.

The directors say results are satisfactory in spite of the engineering and steel strikes, which adversely affected the final figures. The UK market was buoyant throughout 1979, but export markets remained flat due to the strength of sterling, and very strong overseas competition.

There was a considerable drop in demand in the first quarter of the current year, and directors say this will inevitably have its effect on performance in the first six months.

They add that there is little evidence of any significant improvement before 1981, and that the group is taking steps to preserve its financial strength.

Profits were struck after loan interest of £87,000 against £102,000, and subject to tax of £171,000 (£125,000).

Earnings are shown as 56.04p (45.15p) per 25p share and the dividend is stepped up to 4.2p (3.4025p) net with a final of 2.1p.

● comment

By rating **ERF** on a multiple of 1.2 stated earnings, the market offers a depressing prospect to those calling for reinvestment in Britain's traditional manufacturing bases. The shares are tightly held; there are better yields to be had than the 9 per cent ERF offers at 70p, up 2p; the short-term commercial vehicle outlook is dull. But the real share-price drag stems from ERF's plans to double its capacity by building a new plant at Wrexham. The current year is tough. The existing factory is on a three-day week, just above break even. The UK commercial vehicle market downturn could be as much as 30 per cent this year, in which case ERF faces the continuation of its depressed production level. But on the plus side, analysts expect a firming of the market in two to three years time when ERF would start producing at Wrexham: and much of the project finance comes on soft loans which will brighten the CCA picture. And, at worst, while the Board stands by its medium-term view, the project is not yet irrevocable if the outlook blackens still further. The market may in its wisdom be right to say ERF is worth only 15 months historic profits—but there is little comfort for industry anywhere in that thought.

S. & W. Berisford growth trimmed by interest jump

FOR THE six months to March 31, 1980, trading profits of **S. and W. Berisford** rose over 26 per cent to £23.24m, on turnover up almost 28 per cent to £1.18bn. However, a jump in interest charges from £2.31m to £6.47m, reflecting substantially higher international rates, left the pre-tax surplus showing a modest 4 per cent improvement at £16.77m, compared with £16.1m.

After-tax earnings per 25p share moved up from 14.44p to 15.16p while the interim dividend is lifted 30 per cent to 3.25p net—last year's total payment was 7.5p on record profits of £32.22m.

At the annual meeting in March, the directors said they were reasonably confident that half-year results would compare favourably with those of the corresponding period last year. In this event, they intended to repeat last year's interim of 2.5p and leave any further increase to apply to the final in the light of the full year's figures.

The group is engaged in merchanting and commodity trading, secondary metals, finance and insurance, processing and tanning.

Turnover and taxable profits for the period were geographically split between (with £000's omitted): UK £678,544 and £6,519, Europe £135,244 and £4,753, U.S. £170,452 and £859, and Entrepot £196,427 and £4,637. The latter comprises external trading on which profits accrue to the UK.

Tax charge increased from £2.36m to £3.11m. After minorities and preference dividends, profit available for ordinary holders was ahead from £12.89m to £13.54m. The interim payment absorbs £2.9m.

In his interim report, Mr. E. S. Margulies, the chairman, refers to last month's offer by the group for the 90.01 per cent of ordinary capital in British Sugar Corporation not already owned. The offer was subsequently referred to the Monopolies Commission, with the consequence that it has now lapsed.

Mr. Margulies says the Berisford board is confident that the Commission will find no case to suggest that a merger between the two companies could be against the public interest. The views of the Commission are expected to be heard by early December.

● comment

With soft commodity markets picking up only towards the end of Berisford's reporting period, the group has done well almost to maintain trading margins on a turnover rise of 27.7 per cent. Trading should improve over the second half. The sugar market is active and renegotiation of the International Cocoa Agreement has revived business in Berisford's most important single commodity. As a bonus, the group will be taking substantial profits from its 100,000-tonne cocoa contract with the Ivory Coast. Interest rates have now peaked, and are heading sharply down in the U.S., Berisford is poised to make at least £36m for the full year. At 148p, down 2p yesterday, the shares are overshadowed by Berisford's ambitious bid for British Sugar and trade on a prospective multiple of only 4½ times—assuming a 20 per cent tax charge. The yield of 9.6 per cent is very respectable for the sector.

Elswick Hopper expands

FOLLOWING a rise from £451,000 to £605,000 at halfway, pre-tax profits of **Elswick-Hopper** expanded to a record £1.31m for the January 31, 1980 year compared with £902,652. Turnover increased by over £6m from £15.84m to £22.1m.

The directors state that a significant, and apparently permanent, increase in the UK demand for bicycles was a major contribution to profitability. And to maintain its competitiveness in this market, the group is planning further investment in manufacturing and warehouse facilities.

Difficult trading conditions for agricultural machinery had depressed profits of the machinery distribution side, and business is not expected to improve much during the current year.

The directors state that engineering and equipment manufacture within the group has been successful, and Turner International (Engineering)—acquired with the effect from March 6, 1979—achieved record sales and profits, after allowing for inflation.

Profits were subject to tax of £126,913 (£133,414), and after an extraordinary debit of £57,643 (£36,773), and minorities, the attributable balance came through ahead from £745,567 to £1.15m.

Earnings per 5p share are stated as 3.19p (3.14p) and a final payment of 0.6325p net makes the total dividend 1.15p (1p).

Braby Leslie falls to £0.9m

CAUSED MAINLY by the engineering and steel strikes and by reduced demand in several areas, taxable profits of **Braby Leslie**, mechanical and civil engineering group, fell from £2.09m to £914,000 for the year ended March 31, 1980. Turnover was virtually unchanged at £31.74m against £31.63m.

At halfway profits were down from £1.04m to £440,000.

Mr. J. S. C. Chandier, chairman, says the current recession makes prospects for 1980-81 somewhat uncertain, but directors have approved budgets covering an improved performance.

On April 1, the total of order books in most subsidiaries was higher than the year before but, in some, the volume of incoming orders has subsequently dropped.

"If this trend continues it must adversely affect the group's ability to achieve its budgets for the current year," the chairman states.

Earnings are shown as 7.1p (15.6p) per 10p share, and 4.1p (9.7p) assuming a full tax charge (52 per cent), and the dividend is 5.099p (5.009p) net with a final payment of 3.099p—total is unchanged in gross terms.

After tax of £194,000 (£512,000), and extraordinary debit of £64,000 (£323,000 credit), the attributable balance came out at £656,000, compared with £1.9m.

Dividends absorb £515,000 against £510,000 leaving the amount retained as £138,000 (£1.39m).

The engineering and steel strikes together cost over £400,000 in lost profit, Mr. Chandier explains.

Strong sterling resulted in reduced demand from overseas together with lower requirements from Nigeria and none from Iran, and adversely affected Auto Diesels. This company, however, achieved an improved profit in the second half.

The engineering strike and a reduced demand caused the activities of S. Briggs and Braby Group Bristol to continue at a low level, and their losses totalled some £362,000.

There has been a considerable reorganisation to reduce costs, at Bristol—involving some redundancies—the cost of which, some £77,000 after £124,000 tax relief, having been included in the extraordinary items.

Braby Group Liverpool, after disruption during the engineering strike, continued with full production during the steel strike until late March when stocks were exhausted, and the drum production labour force had to be laid off. "These disruptions reduced Liverpool's profit substantially," the chairman says.

Economic Gas Appliances incurred a loss for the year because of a fire at its Burnley premises, but all of the smaller subsidiaries performed well, with four of them achieving record profits.

● comment

With a yield of more than 17 per cent down 5p yesterday at 45p, the market is expressing its doubts about **Braby Leslie's** future dividends. The doubts stem from the large loss incurred as a result of the steel and engineering strikes, the £180,000 lost, because of fire damage at Economic Gas, a plunge in earnings at Auto Diesels to £100,000 from £600,000 last year and an overall drop in pre-tax margins of almost four points. The sizeable losses at brewing equipment subsidiary Briggs and of the bulk storage company in Bristol both developed amidst stiff foreign competition and this may not let up for a while.

More importantly, the company also says that demand is generally slack and it is entirely possible that current year profits will be static, still below the 1975 level. The historic earnings multiple comes to just over 10 on a full tax charge, which suggests potential weakness.

Better start for Hawker Siddeley Group

The first five months of 1980 had been "usefully better" for the Hawker Siddeley Group, Sir Arnold Hall, chairman, told the annual meeting in London on Wednesday. But he could make no prediction for the rest of the year.

In yesterday's paper, he was incorrectly reported as saying that the company was unlikely to achieve the 1978 profits level this year.

Sir Arnold said that exports were a little higher, but were unlikely to reach the record total attained in 1978.

Monk finance man to leave

Mr. M. R. Adkins, who was appointed finance director designate of A. Monk and Co. at the beginning of April, is to leave the company at the end of this month.

In a brief announcement yesterday the loss-making civil engineering and building group said: "It has been agreed between the board and Mr. Adkins that Mr. Adkins's employment with the company will terminate on June 30, 1980."

No reason was given for Mr. Adkins' departure. Before taking on his job with Monk he was finance director of Redland Purle.

Dominion & General ahead

An increase of £87,325 to £717,888 in pre-tax revenue is reported by **The Dominion and General Trust** for the year to April 30, 1980. Gross revenue advanced from £708,750 to £810,020.

After tax up from £236,345 to £248,094, stated earnings per 25p share are 10.89p compared with 9.09p, and the net asset value per share is down from 276p to 246p. The final dividend is raised from 6.75p to 7.4p, for a total of 10.4p (9p).

NORTHERN SECS.

Revenue of Northern Securities Trust fell from £345,536 to £265,542 for the year to March 31, 1980, subject to tax of £93,017 against £141,330. Gross income was down from £571,727 to £536,112.

Earnings per 25p share are shown as 4.62p (5.51p) but the dividend is lifted to 4.4p (4p) net per share with a final of 3.4p.

Net asset value is given as 189p, compared with 188p, as at March 31.

Hargreaves exceeds £4m

Pre-tax profits of the **Hargreaves Group**, the diversified transport and fuel distribution concern, increased by 21 per cent in the year to March 31, 1980 from £3.47m to £4.2m. Turnover was up from £165.7m to £206.1m.

While there was a downturn over the year in several divisions —including fertilisers at £439,000 (£711,000)—quarrying was up 120 per cent to £813,000 (£368,000) and transport and shipping up 60 per cent to £1.37m (£0.86m).

Overall the group made a trading profit of £7.9m (£6.21m). Depreciation accounted for £3.3m (£2.85m) and interest took £821,726 (£652,265). The share of associates' profits was £419,144 (£763,260). The tax charge was £583,588 (£539,427).

There was a minorities credit of £25,526 (nil) and after deducting extraordinary items of £189,874 (£192,327) the retained balance is £2.07m (£1.79m).

The final dividend is increased from 2.142p to 2.36p, making 3.96p (3.592p). Stated earnings per share are 11.1p (10.9p).

● comment

Hargreaves owes most of its 21 per cent pre-tax improvement to a recovery in quarrying and transport/shipping services. The latter was nearly 60 per cent higher, reflecting increased business as well as the absence of the road haulage dispute. Fuel distribution, with a 27 per cent rise in earnings, also helped the group to continue its steady growth. But associated profits (largely the fertiliser business) dropped as a result of both increased raw material costs and a loss in Saudi Arabia on the initial stage of a building block venture. On the industrial services side, the contracting business was in loss of around £150,000 and may well be headed for an eventual run-down. But the waste disposal and plant hire businesses show indications of growth in the current year. The company, after a £4m rights issue last July, is in a reasonably sound financial position and last year £8m of capital expenditure (mainly plant replacement) was mostly funded from cash flow. As forecast last year, the dividend is up 10 per cent, yielding an attractive 12.4 per cent. The p/e on fully taxed earnings comes to just under 8 which assumes only moderate growth prospects.

Steel strike hits A. Lee

THE STEEL strike seriously affected the second quarter's trading at **Arthur Lee and Sons**, maker of steel bars, strip, wire and wire rope, and its associate, Alloy Steel Rods, achieved virtually no production between early January and mid-April.

As a result, there was a share of the associate's loss of £117,000 (£9,000 profit) which pushed group pre-tax profits down from £308,000 to £262,000 for the first half year to March 31, 1980. The result was also struck after providing additional depreciation of £375,000 (£330,000) for inflation.

The directors state that in the two months since the settlement of the steel strike, demand for the group's products has run at a significantly lower level than in the corresponding period of 1979, while margins are under severe pressure.

The likely duration of these conditions is uncertain, they add, but steps are being taken to reduce costs and to bring productive capacity more into line with current market level.

Trading conditions in the first quarter were relatively satisfactory.

The interim dividend per 12½p share is held at 0.44p net on stated earnings of 1.49p (1.38p) —the total payment last time was 1.69p from 5.91p earnings. Pre-tax profits were £1.95m.

With SSAP 15 adopted, there was a tax credit for the half year of £60,000 (£29,000). After minorities, attributable profits fell marginally from £294,000 to £249,000.

RESULTS AND ACCOUNTS IN BRIEF

ATKINS BROTHERS (HOSIERY)—Results for year to March 31, 1980, already known. Shareholders' funds £3.13m (£3.03m), bank balances and cash £133,625 (£8,467). Meeting, Hinckley, July 10, noon.

CLARK, SON AND MORLAND (sheepskin products)—Results for 53 weeks to March 1, 1980, already known. Shareholders' funds £7.25m (£7.82m). Bank loans and overdrafts £4.02m (£1.21m). On CCA basis, historical pre-tax loss £346,000 (£936,000 profit) adjusted to £856,000 loss (£595,000 profit). Board believes that company will return to satisfactory level of profits.

DORANAKANDE RUBBER ESTATES—Results for 1979 reported May 20. Shareholders' funds £143,408 (£136,952), short-term deposits £38,000 (£21,500), bank balances £346 (£723). Chairman states that on present indications, prospects seem promising. Meeting, London E.C., July 10, at noon.

HELICAL BAR (steel fabricator and stockholder)—Results for 40 weeks to February 2 reported May 20. Total share capital and reserves £1.68m (£1.49m), bank balance £6,235 (£24,591), bank overdraft £58,743 (£252,603), trade investment £98,814 (£110,364). Chairman says all subsidiaries showed improved results after 1979 restructuring, and further progress is expected. New trading year has started well and the Board is still looking at new investment in steel distribution and light engineering. Meeting, ICA, Moorgate Place, EC, July 8, 2.30 pm.

HAMBROS INVESTMENT TRUST—Results for year ended March 31, 1980, already known. Shareholder's funds £33.69m (£36.63m): investments £47.66m (£53.55m). Trust's top five equity holdings are: Berkeley Hambro Property £2.36m; Hambro Life Assurance £2.33m; Shell Transport and Trading £1.65m; John I. Jacobs £1.54m; Hambros £1.49m. Chairman says he is confident about achieving a further advance in the level of revenue in the current year. Meeting, 41, Bishopsgate, EC, July 17, noon.

PLATIGNUM (manufacturer of writing instruments and plastic mouldings)—Results for year to January 31, 1980, already known. Shareholders' funds £2.52m (£2.3m), bank overdraft (secured) £425,879 (£296,905). Chairman says prospects for 1980-81 are more difficult to foresee than usual. Demand for writing materials remains depressed and sales in the first three months show no increase on the corresponding period last year. Meeting, Winchester House, Old Broad Street, EC, July 4, noon.

ROWTON HOTELS (hotel and hostel operator)—Results for 1979, and prospects, reported June 7. Shareholders' funds £4.57m (£4.04m). Loan capital £643,330 (same). Short-term loan £417,000 (£429,000). Bank balances and cash £261,134 (£145,909). Meeting, London Park Hotel, SE, July 9, noon.

TIME PRODUCTS (jeweller)—Results for year ended January 31, 1980, already known. Shareholders' funds £22.59m (£18.97m), bank balances and cash £1.21m (£1.12m). Meeting, Connaught Rooms, Great Queen St., WC, July 15, noon.

MINING NEWS

Cominco to lift capital spending

BY GEORGE MILLING-STANLEY

THE CANADIAN metals and chemicals group Cominco is to lift capital spending in 1980 to around C$250m (£93m) from C$150m last year, according to Mr. Robert R. Stone, treasurer. The group is clearly taking advantage of last year's record profits of C$203.7m (£78m), achieved as a result of the advances in both base and precious metals prices, to secure its future.

Mr. Stone said that some C$70m of this year's projected total will be spent on the company's new Polaris mine in the Arctic, which will be the most northerly mine in the world when it comes into production, probably in 1982. Cominco estimates that Polaris will be the 11th largest producer of lead and zinc in the world.

A further C$95m is to be spent on modernising operations at the company's plant at Trail, British Columbia. This metallurgical processing plant is one of the largest in the world.

Mr. Stone pointed out that the future for Cominco's major products is "somewhat uncertain," at least for the balance of 1980, but the company is on record as saying that it expects lead and zinc consumption to double in the next 20 years.

In the short term, however, declining motor vehicle production during the current year will adversely affect battery demand, lead's largest end-use, and this will result in a decline of about 3 per cent in Western world consumption, Mr. Stone said.

The recent fall in the cash price of the metal from a high this year of £579 per tonne to just above the £300 level reflects the surplus projected for 1980.

The picture is somewhat different in zinc, Cominco's other major product. Mr. Stone said that declining vehicle production and housing starts will hit the die-casting and galvanising markets, and the company is forecasting a fall in Western world zinc consumption of about 3 per cent, but this will be offset by the forecast 9 per cent fall in production of the metal.

Australian round-up

JAPAN'S Mitsui Mining and Smelting and Sumitomo are to form a joint venture with Australia's Kalgoorlie Southern Gold Mines to explore for minerals in the Gascoyne province of Western Australia.

Kalgoorlie Southern holds 21 leases in the Gascoyne goldfield area, and plans to explore for columbite-tantalite mineralisation. Mr. M. McGowan, managing director of the Australian company, said yesterday that Mitsui Mining and Sumitomo had the right to earn a joint 40 per cent stake in the project by contributing A$400,000 (£190,000), to be spent within four years after exploration starts.

The Kominic group of Japan has announced plans to set up a new company to build a coal liquefaction plant in the state of Victoria, in Australia. The group, which was formed in 1976 by Kobe Steel, Mitsubishi Chemical Industries and Nissho-Iwai, has been developing technology to convert low-grade coal into an efficient fuel for industry.

Current plans call for a pilot plant which will produce 50 tonnes of solvent refined coal per day, at a total cost of some Y30bn (£60m), Kobe Steel said yesterday.

The Victoria Brown Coal Committee will join the Kominic group in Tokyo at the end of this month for three days of talks on details of the project and the plans to build a pilot plant.

Newcastle Wallsend Coal, a wholly-owned subsidiary of the Australian metals producer Peko-Wallsend, is to form a joint venture with Silver Valley Minerals, also of Australia, and Japan's Marubeni to assess the Wallamine coal deposit near Swansea, New South Wales.

The agreement provides for the joint venturers to proceed with the development of a mine as soon as practicable if the feasibility study proves successful. Newcastle would manage the project.

PETALING TIN EARNS MORE

Increased output and sales of tin concentrates coupled with higher prices received have lifted net profits for the six months to the end of April of Malaysia's Petaling Tin to M$6.0m (£1.19m) compared with M$4.63m in the same period last year.

The mine produced and sold 854 tonnes of concentrates during the six months against 779 tonnes in the corresponding period in 1978-79. The average Penang price per picul (one-sixteenth of a tonne) of tin metal was M$2,199.53 during the six months compared with M$1.896 in 1978-79.

BIDS AND DEALS

Pearson Longman to make acquisition in U.S.

Pearson Longman, the publishing arm of the S. Pearson industrial and finance group, aims to extend its U.S. interests through the purchase of a Florida shopping guide and advertising publisher.

It has agreed to buy the five privately-owned corporations making up the Manatee Group for an initial $3m in cash with the rest to be paid in instalments. It is estimated that the net present value of the total consideration is $9.6m (£4.1m).

At the same time, the Westminster Press, the Pearson Longman subsidiary, through which the Manatee deal is being carried out, has formed a financial association with a Chicago-based publisher of special-interest business newspapers, Mr. Bruce Sagan, to deal with all its U.S. acquisitions.

Longman is already involved in the U.S. book publishing sector, and the Financial Times, also part of the company, produces World Business weekly especially for the north American market.

Westminster Press intends to look for further acquisitions in high growth areas of the U.S., though Mr. James Lee, deputy chairman of Pearson Longman, said the Manatee purchase would be absorbed first.

After the first cash tranche, it will meet the rest of the purchase price through: promissory notes of $1m at 6 per cent interest due January 1981; promissory notes of $6m at 6 per cent interest with principal and interest payable in equal monthly instalments over 13 years; consultancy agreements providing 40 quarterly payments of $110,000 over 10 years; and non-competition agreements providing 20 quarterly payments of $31,000 over five years.

Mr. Lee said the deal was attractive because the deferred payments would come from cash flow. Manatee, whose weekly circulation of its guides and free distribution advertising publications totals over 300,000, made an estimated pre-tax profit of $1.37m in the year to May 31, 1980.

Its assets had a net book value of some $1m at that date, and it is expected to make a position contribution to earnings per share of Pearson Longman from the outset.

As possible areas for further purchases, Mr. Lee identified the fast growing southern states of the U.S.

OFFER TALKS AT CREST INTL.

Crest International Securities, an investment holding company, is having talks which could lead to cash offers being made in the near future for the ordinary and preferred ordinary shares.

Crest said that the offers would be related to the net asset values of the shares. At March 31, 1979, these values were 5p for the preferred and 4.05p for the ordinary.

The company announced in March that a Mr. M. C. Lillingston had circulated an offer to acquire the shares on the basis of 1p each for the preferred and 0.5p for the ordinary. The Board said it had not been consulted by Mr. Lillingston and advised holders to refer to the respective net asset values.

The accounts for 1978/79 show that Mr. Bernard Glazer controls 15.5 per cent of the ordinary capital and 46.33 per cent of the preferred.

Burmah Oil increasing stake in QHS

BURMAH OIL intends to consolidate control of its interests in the South African automotive components manufacturer Quinton Hazell Superite (QHS).

At present Burmah has a direct 39 per cent interest in QHS and an indirect interest through an 89 per cent stake in Gaydon Southern Holdings. Gaydon, in its turn, owns 56 per cent of QHS.

Gaydon is to offer its shareholders their proportionate interest in QHS, equivalent to 68 QHS shares for every 100 held in Gaydon at a price of 60 cents per QHS share. This values QHS's 4.1m shares at R2.5m (£1.38m).

Then, at a price of 44.2 cents a share, Burmah is to sell its holding of 5.05m Gaydon shares to an undisclosed consortium. Burmah is underwriting the arrangement, and at no cost to itself will obtain an 89 per cent direct stake in QHS.

NEB to consider Fairey's new profit forecast today

At a lengthy meeting yesterday the board of Fairey Holdings completed the task of revising the group's current year profit forecast made prior to the £24m bid from S. Pearson and Son. But there was no indication last night of what the new forecast might show.

When Pearson made the offer in April—through its Doulton and Co. subsidiary—Fairey was understood to be forecasting pre-tax profits of £5.5m, compared with £5.1m in 1979.

Since then the company has warned that it faced a deteriorating situation on the economic front. Earlier this month Fairey made 230 employees redundant at its Stockport, Cheshire works.

The revised forecast will be presented to the National Enterprise Board at a meeting of the NEB today. The NEB is expected to have a meeting with Doulton next week.

Mr. Angus Murray, chairman of Fairey, said yesterday that the forecast had been updated after "careful appraisal" of every part of the business. He said that the delay on deciding the company's future ownership had had an unsettling effect on the company.

Doulton has said that the deal would go ahead if any adjustment to Fairey's forecast was minor, but a major revision might cause the company to think again.

SHARE STAKES

Associated Dairies—Mr. P. R. Baines, director, has disposed of 53,095 ordinary.

Ladbroke Group — 12,100 ordinary have been transferred out of the joint non-beneficial holding, as trustees of the 1974 share incentive scheme, of Mr. C. Stein and Mr. E. W. Macadie, both directors. 5,500 of these shares have been transferred to P. M. George, director, following payment by him of the outstanding balance due on the shares to the trustees of the scheme.

George Ewer advises acceptance

George Ewer has written to holders advising them to accept the offer for their shares from T. Cowie which on Wednesday announced that it had gained control. 50.31 per cent of the Ewer capital.

Ewer felt that it was not in holders' interest to remain a minority. The Board recommends that they accept the all cash offer which closes on June 25. The Ewer directors intend to accept in respect of their 969,361 shares—equal to 4.8 per cent of the Ewer equity.

Arbuthnot Latham lifts profits 56%

AFTER tax and transfers to inner reserves, profits of Arbuthnot Latham Holdings rose 56 per cent to £1.3m in the year ended March 31, 1980 compared with £829,000, and the dividend is lifted from 10.42p to 11p with a final of 7p.

The surplus, which reflects an increase in non-banking profits of £315,000 to £1.11m, includes a share of associates' profits of £5,000 (£81,000) and is struck after interest £154,000 (£160,000) minorities £310,000 (£295,000) and an exceptional debit last time of £203,000.

Extraordinary credits of £9,000 (£332,000), the balance brought forward of £1.66m (£1.29m) and an upward adjustment of £102,000 (£61,000) in respect of a change in accounting basis in a subsidiary lift the total to £3.07m (£2.52m), of which £814,000 (£753,000) is taken up by dividends.

Disclosed earnings are shown as 17.6p (11.9p) undiluted and 16.5p (11.6p) diluted.

Brown Shipley recovers in second six months

BOOSTED by the insurance side, after-tax profit of Brown Shipley Holdings improved from £1.65m to £1.79m for the year ended March 31, 1980, and the net dividend is lifted to 13p per £1 share, against 10.607p, with a final of 7.5p.

At the interim stage profits were slightly down, and the directors said that with inflation remaining high, they could not forecast an increased profit for the full year.

They now state that the banking and insurance businesses were affected throughout the year by high and sharply rising UK interest rates, together wiht the steady increase in the strength of sterling.

Banking profits were unchanged at £1.25m, but the insurance contribution rose from £770,000 to £966,000—parent company profit was down at £127,000 (£168,000).

Tax charged was £542,000 against £399,000, and the retained balance came out at £1.07m (£1.06m).

As at March 31, loans, advances and other accounts were £82.2m (£76.82m), cash, bank balances and short term money £58.43m (£41.87m), deposits and other liabilities £206.72m (£198.73m), and acceptances on account of customers £31.19m (£34.64m).

BANK RETURN

BANKING DEPARTMENT

	Wednesday June 18 1980	Increase (+) or Decrease (—) for week
Liabilities	£	£
Capital	14 553 000	—
Public Deposits	32,620,949	— 2,537,508
Special Deposits	242,425,000	+ 23,715,000
Bankers Deposits	472,815,705	— 18,217,775
Reserve & other Accounts	611,329,351	— 27,770,813
	1,373,744,005	— 24,811,096
ASSETS		
Government Securities	574,482,064	— 338,725,000
Advances & Other Accounts	617,330,516	+ 311,397,407
Premises Equipment & Other Secs.	175,874,499	— 4,773,973
Notes	5,731,674	— 2,695,746
Coin	305,250	— 13,784
	1,373,744,005	— 24,811,096

ISSUE DEPARTMENT

	£	£
Liabilities		
Notes Issued	9,975,000,000	— 25,000,000
In Circulation	9,969,268,326	— 22,304,254
In Banking Department	5,731,674	— 2,695,746
ASSETS		
Government Debt	11,015,100	—
Other Government Securities	8,639,987,622	+ 34,252,040
Other Securities	1,323,997,278	— 59,252,040
	9,975,000 000	— 25,000,000

Triplex slips to £1.9m

A fall of almost 16 per cent in pre-tax profits, from £2.23m to £1.88m, is reported by the Triplex Foundries Group for the year to March 31, 1980. Turnover rose by 10 per cent from £38.03m to £41.77m.

At halfway, reporting profits of £0.7m (£1.02m) on turnover of £18.91m (£17.63m) the group said the expected improvement did not materialise. Sales increased at a lower rate than inflation and the engineers' strike affected all divisions and many customers.

The heaviest fall in profits over the year was in the foundries division, down from £1.21m to £0.83m on turnover of £25.35m (£22.75m). Industrial services' profits were also down at £0.44m (£0.51m), but engineering improved to £0.61m (£0.51m).

Taxation took £361,574 (£683,894) and the retained balance is £1.06m (£1.09m).

The final dividend is held at 3.6p, making a net total of 5.44p (5.36p).

British Steam advances

DESPITE charges up from £270,000 to £460,000, pre-tax profits of British Steam Specialities Group, supplier of pipeline equipment, climbed from £2.89m to £3.66m for the year to March 31, 1980. Second half profits improved from £1.66m to £2.13m.

The Board considers that of profits earned by the distribution companies, about £250,000 accrued in the final quarter of the year — during the national steel strike — which otherwise might have arisen in the current year.

These profits resulted from contractors purchasing their requirements from the group earlier than usual in order to safeguard supplies

After tax up from £620,000 to £843,000, stated earnings per 20p share are 22.8p (18.3p), and the final dividend is effectively raised from 3.095p to 3.75p for a total of 5.25p (adjusted 4.345p).

Milford Docks drops rights issue plans

Improved cash flow at Milford Docks Company during the first quarter has obviated the need to proceed with the proposed rights issue, says Mr. C. A. V. Smith, chairman, in his annual statement.

The Board now has no short-term intention of requesting shareholders to subscribe for further capital. Nevertheless, the directors intend to increase the authorised capital to allow flexibility for the raising of additional funds when it may appear appropriate.

WINCHMORE INV.

Revenue of Winchmore Investment Trust came out just behind at £38,106 against £39,149, for 1979, after a higher tax charge of £26,899, compared with £20,122. Gross income increased from £65,515 to £76,852.

Earnings per 25p share are shown as 3.2p (3.28p) and the net dividend is unchanged at 3.11p with a maintained final payment of 2.71p.

Voting change approved at Lloyds

Shareholders of Lloyd Bank yesterday agreed to modernise its voting structure and give every shareholder one vote per share.

At a quiet meeting, attended by only 30 or so of the Bank's 80,000 shareholders, the necessary changes to the articles of association were passed on a show of hands with only a few dissensions.

Previously small shareholders had had a disproportionate voting strength because of a 50-year-old rule which limited the number of votes to a maximum of 500 irrespective of the number of shares over 500 held.

Small shareholders have been compensated for the small dilution in their voting power under the new system by a special scrip issue giving them a maximum extra 25 shares. This seemed generally to have been thought equitable by shareholders, Sir Jeremy Morse, the chairman, said at the meeting.

A few shareholders, who were also employees of the bank, voted against the proposals, however, on the basis that their potential future voting power would now be reduced.

One representative said: "Under the old voting system employees' share option schemes might have built up into significant voting strength over the years. This will not now happen."

Sir Jeremy assured holders of option rights that these would be adjusted to reflect the dilution in voting power which he put at around 1 per cent.

Stirling Inds.

EXCLUDING THE contribution from 50.5 per cent-owned subsidiary Crewkerne Investments, pre-tax profits of Stirling Industries, light engineer, finished the year to March 31, 1980, slightly higher than expected at £1,131,000 compared with £966,000.

A final of 1.2p, forecast at the same time, lifts the net dividend from 1.46p to 1.65p.

The after-tax proportion of Crewkerne Investment's profits of £161,000 (£129,000) lifts the attributable surplus to £698,000 (£595,000), of which £349,600 (£315,050) is absorbed by dividends. Earnings per 2.5p share are shown up from 2.878p to 4.39p.

Stirling Industries, which has a close status, is a subsidiary of Cayzer Trust Company.

Pauls and Whites nears £8m after good second half

A better than expected second half lifted pre-tax profits of Pauls and Whites, maltsters, miller and animal food producer, from £7.64m to £7.98m in the year to March 31, 1980. Turnover rose from £188.8m to £220.68m.

At halfway the company reported profits of £3.05m (£3.47m) and said that because of high interest rates taxable profits may fall over the year, although trading profit was expected to be higher.

There was a tax credit for the year of £1.34m (£2.52m charge) and an extraordinary debit of £4.05m (nil).

The final dividend is raised to 4p (3.176p), making a total of 5.75p (4.926p). Stated earnings per 25p share are 21.96p (19.28p).

The company says that all UK activities showed higher profits, although the malting business bore most of the increased financing charges, up from £1.32m to £2.7m. Animal foods and milling contributed £4.8m (£4.46m), brewing £4.94m (£3.72m) and flavours and hop products £0.94m (£0.78m).

Action is being taken to eliminate trading losses in Germany and a provision of £4m, charged as an extraordinary item, has been made for the reduction in value of this investment and associated costs.

● comment

Despite a forced shutdown in Nigeria, continuing losses in Germany and doubled interest rates on seasonal barley financing, Pauls and Whites has eked out a 4.4 per cent increase in pre-tax profits. Although a long way off the 22 per cent annual profit growth rate established in the last five years, it was better than the company itself had forecast, mainly because of a one-third rise in trading profit in the malting division. British brewers absorbed price increases and the German mills are just about breaking even at the operational level. The £4m write-off on investment in Germany signals that a decision on its future is imminent. The yield, at 120p, up 2p, is 6.6 and the p/e on stated earnings, before exceptional items, is an undemanding 5.6.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Bluemel Bros., Brunner Investment Trust, Dentsply International, Grange Trust, J. F. Nash Securities, Raeburn Investment Trust, Record Ridgway.

Finals: Attwood Garages, British Tar Products, Dorrington Investment, Finance and Industrial Trust, F. H. Lloyd, Victoria Carpet, Wedgwood.

FUTURE DATES

Interims:—

Countryside Properties	June 26
Henlys	June 26
Kenning Motor	June 24
Winterbottom Trust	July 1

Finals:—

Dennis (James H.)	June 25
Eastern Produce	June 23
Elliott Group of Peterborough	June 23
Grovebell	June 27
Howden Group	July 10
Imperial Continental Gas	July 1
Kleen-E-Ze	June 30
Old Swan Hotel	June 23
Scottish and Newcastle Brews.	July 3
Shaw Carpets	June 26
United Gas Industries	July 10
Whiteley (B. S. and W.)	June 27

EUROPEAN OPTIONS EXCHANGE

Series		July Vol.	July Last	Oct. Vol.	Oct. Last	Jan. Vol.	Jan. Last	Stock
ABN C	F.260	—	—	5	37.50	—	—	F.295.50
ABN C	F.280	—	—	12	21	—	—	"
ABN C	F.300	5	5.50	7	10	—	—	"
AKZ C	F.22.50	5	2.10	—	—	—	—	F.24.10
AKZ C	F.25	31	0.60	37	1.60	18	2.30	"
AKZ C	F.27.50	—	—	80	0.70	—	—	"
AKZ P	F.22.50	—	—	—	—	16	0.80	"
AKZ P	F.25	—	—	2	1.30	—	—	"
ARB C	F.65	2	2.70	—	—	—	—	F.65.70
KE C	$45	1	13	—	—	—	—	$57⅞
HEI C	F.60	10	1.30	25	2.60	—	—	"
HEI C	F.65	—	—	2	1.50	—	—	"
HEI P	F.60	—	—	5	5	—	—	"
HEI P	F.65	—	—	32	7	—	—	"
HO C	F.20	20	0.10	2	0.60	—	—	F16.60
IBM C	$55	65	5⅛	—	—	—	—	$59⅝
IBM C	$60	—	1½	2	¾	—	—	"
IBM C	$65	10	—	3	⅝	—	—	"
KLM C	F.60	6	2.80	60	5.50	—	—	F.60.50
KLM C	F.70	—	—	76	2.50	—	—	"
KLM C	F.80	—	—	3	1.20	—	—	"
KLM P	F.60	27	2	3	4.90	—	—	"
KLM P	F.70	20	10	1	10.60	—	—	"
KLM P	F.80	10	19.50	—	—	—	—	"
NAT C	F.104.50	2	10	4	11.50	—	—	F.114.30
NAT C	F.109.10	2	5.10	1	7.20	—	—	"
NN C	F.110	—	—	9	7.50	1	9	"
NN C	F.120	—	—	14	2.20	3	4.60	"
PHI C	F.17.50	—	—	10	1.50	—	—	F.17.90
PHI C	F.20	—	—	30	0.40	—	—	"
PHI P	F.20	2	2	—	—	—	—	"
PRD C	$25	—	—	—	—	2	3⅛	$24¾
RD C	F.140	—	—	151	26.90	—	—	F.169
RD C	F.150	16	18.70	33	19	—	—	"
RD C	F.160	130	9.30	99	11.20	—	—	"
RD C	F.170	185	2.60	104	5	33	7.10	"
RD P	F.140	—	—	10	0.70	—	—	"
RD P	F.145	—	—	5	1.40	—	—	"
RD P	F.150	—	—	19	2.20	—	—	"
RD P	F.160	164	0.90	17	5.60	1	6.50	"
RD P	F.170	131	4.50	2	10.50	2	12	"
UNI C	F.110	—	—	10	8	4	11	F.116.50
UNI C	F.115	3	2.30	2	5	—	—	"
UNI C	F.120	2	0.50	11	2	49	3	"
UNI P	F.110	4	0.60	15	1.50	—	—	"
UNI P	F.115	—	—	1	3.50	—	—	"
UNI P	F1.20	—	—	3	5.70	—	—	"
		Aug.		Nov.		Feb.		
BAS C	DM.190	5	9	—	—	—	—	DM148.30
BAS C	DM.150	—	—	50	4.50	—	—	"
SLB C	$110	5	10	4	13	—	—	$116⅞
SLB C	$120	4	3½	4	7½	—	—	"
VW C	DM.180	6	6.50	—	—	—	—	DM184.50

TOTAL VOLUME IN CONTRACTS 3272

C=Call P=Put

NORTH AMERICAN NEWS

Another $1bn loss likely for Chrysler

By Our New York Staff

CHRYSLER will probably lose around $1bn this year, similar to its 1979 loss, which was the largest in U.S. business history. That is the latest opinion of Chrysler's financial advisors, Booze Allen and Hamilton, which has appened the new forecast to copies of a prospectus for the sale of Chrysler debentures to dealers and suppliers.

The forecast is in line with government expectations, but Chrysler has refused to accept that its loss this year will exceed $750m. Booze Allen takes the view that the further weakening of the car and truck markets in May and the economic outlook makes a bigger loss likely.

Meanwhile, negotiations to win support for the $3.5bn rescue package for Chrysler continues to make progress. Deutsche Genossenschaftsbank of West Germany is now the only European bank holding out against the deal; four small American banks are aslo still resisting.

Construction slump hits Jim Walter

By Our Financial Staff

THIRD QUARTER profits at Jim Walter, the Tampa, Florida, building materials group, slumped by 37 per cent under the impact of rising material and operating costs and the effects of the recession in construction activity in the U.S.

Net profits for the period to May 31 were $16.4m, or 95 cents a share, against $26.2m, or $1.51 a share, last time. Net income for the quarter includes a $3.1m, or 17 cents a share, gain from the capitalisation of interest. Sales for the quarter were 2 per cent lower at $498m.

After nine months profits were showing an 18 per cent fall to $56.6m, or $3.26 a share. This figure excludes a 55 cent a share extraordinary gain from the sale in September of its Louisiana sugar interests, which left cumulative earnings 4 per cent down at $66.1m. Last year's figure included a $1.1m gain from the sale of three savings and loan branches.

Woolworth expects to hold growth in sales at 10%

BY IAN HARGREAVES IN NEW YORK

F. W. WOOLWORTH and Company, the U.S. retailer, says it expects its worldwide sales to continue to grow at a 10 per cent average annual rate in the next few years, in spite of a rapidly deteriorating sales environment in the U.S.

Mr. Edward Gibbons, chairman of the company, told Woolworth's annual meeting in Houston that the sales target and earnings growth projections of more than 10 per cent a year were "realistic and attainable."

In the year to January 1980 the company had sales of $6.8bn and net profits of $142m, up from $6.1bn and $130m respectively. This growth trend continued into the first quarter, but profits in that quarter were boosted by the effects of a UK tax credit. Sales in the first quarter, however, were on target at 9.6 per cent above the 1979-80 first quarter.

Generally speaking, Woolworth, along with K mart and some smaller retail chains, has fared better at the onset of the U.S. recession than Sears, Roebuck and Company, J. C. Penney and Company and Montgomery Ward (owned by Mobil). In May, Woolworth's sales were up by more than 7 per cent compared with May 1979, whereas Sears, Roebuck's sales were down by 4.3 per cent and Montgomery Ward's by 2.1 per cent.

Sears has been hit by its heavy presence in the depressed industrial midwest; but seems also to have suffered from a weakening of sales for mid-price range goods.

Mr. Gibbons said that Woolworth was proceeding with plans to increase profitability by intensifying its use of space in the Woolco discount stores and by streamlining its organisation and reducing reliance on outside contractors and leaseholders.

From January, Woolco, for example, will take over all women's and children's garment buying, which was previously handled by an outside company. It would also take over its large automotive operation.

"While these takeovers will improve gross margins we believe the greatest benefit to our Woolco division will be a more cohesive and centrally controlled merchandise presentation to the consumer," said Mr. Gibbons.

Dentsply board under attack

BY OUR FINANCIAL STAFF

THE BOARD of Dentsply International, one of the largest suppliers of dental products in the U.S. and Europe, told the annual meeting that further "very large" foreign exchange losses are in store in the second quarter of this year. Shareholders then mounted two attacks on the company management which were rejected by only a narrow margin of votes.

The shareholders voted 1.8m votes to 1.3m against a proposal that the board employ outside management consultants to evaluate the effectiveness of present management. The proposal also called for steps to be taken to improve business operations, according to the proxy.

A second stockholder proposal that the board adopt a policy requiring that the majority of the directors shall not be officers or past employees was also defeated by a vote of 1.8m to 1.3m votes.

Mr. H. M. Thornton, chairman, disclosed that the board expects sales growth in the second quarter to be less than the fiscal first quarter's 18 per cent increase.

He also said that the expected foreign exchange losses would be primarily due to the decline in the dollar's value against sterling.

In second quarter of last year Dentsply earned $3.1m, or 68 cents a share, on sales of $60.1m.

Mr. Thornton said business has slowed in the last month or two in Britain, and, to a lesser degree, in some of the company's other markets.

In 1979, the company earned $9.1m, or $2.02 a share, on sales of $235.6m.

Sale boost for World Airways

OAKLAND — World Airways expects to show a profit in the second quarter, but only because of a non-recurring pre-tax gain of $7m from the sale of a DC-8 jet last month, the president, Mr. Edward J. Daly told the annual meeting.

In the second quarter of last year, the company had net income of $600,000.

Mr. Daly said World Airways faces a major uphill task to achieve profitable results from operations for the second quarter and for the year. For the first quarter, World recorded a loss of $11.5m compared with a profit of $9.5m a year before.

The loss for the first quarter resulted from a 4½-month strike by World's flight crews and mechanics, and start-up costs of transcontinental and Hawaii services.

Second quarter results could be buoyed by the sale of the company's ships, Mariposa and Monterey, said Mr. Daly.

The ships were purchased last year for $2.7m and World is negotiating to sell them for over $6m, said Mr. Brian Cooke, senior vice-president.

Mr. W. A. Hardenstine, senior vice-president marketing, said World was seeking to expand its London service and had applied to the Civil Aeronautics Board for route rights from London to Boston, New York-Newark, Baltimore, Washington and Miami.

World is optimistic it will win three of the four routes it seeks.

Mr. Daly said that World would not be undercut in its fares. "We are going to remain competitive, let there be no doubt in anyone's mind."

Atco wins $390m Canadian Utilities stake

BY OUR FINANCIAL STAFF

THE CONTEST for control of Canadian Utilities, one of the largest utility group's in Alberta, has been won by Atco, Canada's major manufacturer of prefabricated industrial units.

Atco is paying C$325m (US$390m) for 58 per cent of Canadian Utilities. It does not intend to negotiate any deal whereby Calgary Power, which wants to buy the rest of the Utilities stock, would buy the electric power and gas distribution operations of Canadian Utilities.

Mr. Ron Southern, president of Atco, told institutional investors in Vancouver that he expects earnings at Canadian Utilities to reach C$150m (U.S.$180m) by 1985, with revenues at U.S.$1.92bn and assets at U.S.$3.5bn.

Atco, in which the largest single shareholding is owned by the founding Southern family of Alberta, has in the past two years become one of the largest contract drillers in North America. Further growth in Atco's diversification programme is widely expected. Atco says it can handle the financing of the Canadian Utilities deal mainly from its own resources.

● Petrofina Canada has arranged for the sale of 1.5m convertible preferred shares in Canada through an underwriting group headed by Pitfield Mackay Ross, A. E. Ames and Levesque Beaubien.

The shares will be priced at $30 each and will carry a dividend of $1.875 to yield 6.25 per cent. Each share will be convertible for 10 years into one-half of a common share of Petrofina Canada.

The sale will raise $45m and estimated proceeds of about $43m will be used to reduce bank borrowings incurred in the purchase of a 5 per cent interest in the Alberta syncrude project.

● CAE Industries, one of Canada's leading high technology companies, expects a healthy improvement in earnings in the current year and a jump in sales of about 45 per cent barring a severe recession, Mr. C. D. Reekie, president and chief executive, told the annual meeting in Toronto. In fiscal 1980, its previous record year, earnings were $8.7m or $1.51 a share on revenues of $238.5m, writes Robert Gibbens in Montreal.

The group is stepping up its production of alloy parts for General Motors and Ford and is doubling capacity in Ontario to make aluminium intake manifolds for GM. It will also make aluminium diecast gearbox covers for GM's new "J" world car due on market in 1981. These programmes will require plant expansions running to nearly $30m.

CAE also is making aluminium alloy intake manifolds and cylinderheads for Ford's subcompact Erika world car being introduced in North America this autumn. One of the world's major simulator builders. CAE has been named preferred supplier by two U.S. airlines for a DC-9-80 simulator and a Boeing 737 simulator.

Government lifts sterling debt stamp duty

By Nicholas Colchester

THE UK Government has decided to remove stamp duty on the transfer of sterling debt securities, without conversion rights, issued in the UK by foreign governments and companies. This will help the development of the UK capital market for foreign borrowers.

The change is to be introduced into the Finance Bill currently before the House of Commons. Transfer and issue of securities issued by the Government, by Commonwealth governments and by UK companies are already free of such tax. The stamp duty on the transfer of bonds issued by other foreign issuers remained an anomaly.

Up till now this anomaly has been got round by making sterling issues for foreign borrowers bearer bonds, as opposed to registered bonds, with a foreign currency option for dividend payments and repayment of principal.

But some British investing institutions prefer registered bonds to bearer bonds and at least one foreign government has expressed an interest in issuing registered sterling securities.

The change to the Finance Bill will make possible the issue of sterling denominated foreign bonds—"bulldog bonds"—equivalent to Yankee bonds and distinct from Euro-sterling bonds. It will thus help open the UK bond market to foreign borrowers in the way now made possible by the abolition of exchange controls.

The Treasury decision to make the change was prompted by proposals from UK merchant banks, with arguments from County Bank apparently clinching the matter.

Euromarkets hold steady

By Francis Ghilès

PRICES WERE virtually unchanged in the major sectors of the Eurobond markets yesterday. Prices of straight dollar bonds eased somewhat during the morning but later recovered much of the lost ground closing about ¼ of a point lower on the day.

Investors have become much more yield conscious, preferring to buy paper in the secondary market which yields above 11 per cent rather than new issues which offer yields below 10 per cent.

Most of the straight dollar issues announced this week are thus selling very slowly, if at all. The best received appears to be the 10¾ to 1990 $50m issue for BOC International. Most of the others are standing at discounts of up to 2 points from their indicated issue price in pre-market trading.

BNP's Hong Kong branch has arranged a $40m certificate of deposit in Hong Kong through Kleinwort Benson Hong Kong. The borrower is pay a coupon of 3/16 of a point over the Hong Kong interbank rate. The paper has a maturity of three years.

In the Swiss franc sector New Zealand is arranging a SWFr 100m public issue and a similar size private placement. The latter, which carries a coupon of 5¾ per cent for six years, is led by Credit Suisse, while the former, which carries an identical coupon and runs for 10 years, is led by Union Bank of Switzerland.

In the Deutsche Mark sector prices of seasoned foreign issue advanced by about ½ of a point.

Some of the issues for South African borrowers displayed some weakness, reflecting the current events in South Africa, dropping by dropping by around one point on the day. Such was the case of the DM 120m seven-year issue for the Republic of South Africa which was completed through Deutsche Bank last week. It closed last night at a discount of 1-1½ points from its issue price of par.

Busy day for U.S. bonds

By David Lascelles in New York

THE SPECTACULAR rally in the U.S. capital market, which showed signs of faltering this week, faced its toughest challenge yesterday when the U.S. Government, municipalities and corporations floated nearly $5.5bn of new debt.

The non-Governmental portion was $1.1bn, one of the highest one-day volumes on record. The largest totals occurred on the days when AT and T and IBM individually sold $1bn or more of bonds.

Chase Manhattan Bank sold 2.5m shares of preferred stock for $50 each, carrying a yield of 10.50 per cent

AEG increases sales and orders in first five months

BY LESLIE COLITT IN BERLIN

AEG - TELEFUNKEN, West Germany's second largest electrical engineering company which recorded a trading loss of DM 437m ($247m) last year, is in the first stretch on a long road to recovery, Herr Heinz Dürr, board chairman, told the annual meeting of shareholders yesterday.

Turnover in the first five months of this year, he said, was up 8 per cent. Orders rose 13 per cent with capital goods showing the sharpest increase of 21 per cent. Capital goods now make up more than half of AEG sales.

Herr Dürr held to his earlier forecast that losses this year would be cut to an amount "in excess of DM 100m," which he called "an ambitious goal." AEG, he predicted, should be in the black by next year but said it was unlikely a dividend would be paid for several years. AEG's last dividend, of 10 per cent, was in 1973.

The new chairman, who took over the loss-making group in January from Herr Walter Cipa, told shareholders changes would be made soon in the company's organisational structure, with more managerial responsibility to be shifted to the "front lines."

He said the rising trend in sales from month to month justified his earlier prediction that turnover this year would expand 6 per cent to DM 15bn ($8.48bn) and that new orders would be up 7 per cent to DM 15.2bn for the year.

Among the important capital goods orders giving reason for optimism, he said, were: mining and rationalisation equipment, AEG's role in equipping the steel rolling mill at Baoshan in China, additional defence orders, orders for the second Spacelab project, electrical equipment for an icebreaker to be delivered to the Soviet Union, eight broadcasting units for the BBC, DM 160m in telecommunications orders from Egypt, tram equipment for Oslo and trains for Egypt and Portugal.

AEG wants to expand its foreign operations, Herr Dürr noted, saying growth in electrical engineering was expected to take place mainly abroad, with Latin America to expand by 8 per cent, Africa by 8 per cent, Eastern Europe by 7 per cent, Asia by 6 per cent and the U.S. by 4 per cent.

Swedish Match advances 43%

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

THE Swedish Match group has reported pre-tax earnings of Skr 63m ($15.2m) for the first four months of the year, 43 per cent up from the SKr 44m recorded in January-April 1979. Sales grew by 20 per cent to SKr 2.15bn ($518m).

The improvement is attributed to the effect of the restructuring measures taken over the past couple of years and to stronger markets in the group's main operating areas. Better control of cash flows has reduced capital requirements and limited the deterioration in net financial charges forecast in the 1979 annual report.

Profit growth is expected to be slower in the rest of the year, partly because of the effect of the recent Swedish labour disputes, but also because of a deterioration in the business situation for some product groups.

However, Swedish Match is not changing its earlier forecast that a "substantial" improvement in the operating result is probable for the year as a whole.

A breakdown of the four-month operating result—SKr 92m after planned depreciation compared with SKr 63m for January-April last year—shows that the original match business continues to contribute the lion's share of profits.

Matches turned in Skr41m, ahead by Skr10m, on a 30 per cent rise in turnover to Skr406m. A considerable part of both the profit and sales growth is attributed to the acquisitions made last year in South America.

The Katrinefors division, which produces board, windows, doors, furniture and sports equipment, also reported a strong climb in operating profit from Skr10m to Skr28m, with sales increasing by 26 per cent to Skr798m. The main reason for this advance is the favourable price trend for hardboard and chipboard.

The Tarkett building materials division and the Aakerlund and Rausing subsidiary, which makes carton and packaging materials, reported smaller gains in their operating results after turnover growth of, respectively, 15 per cent to Skr228m and 20 per cent to Skr332m.

In the cardboard operation the Skr4m operating profit of the first four months of last year slipped to a Skr3m loss despite a 21 per cent advance in sales to Skr126m. Prices could not be raised enough to offset cost increases and one factory was under reconstruction during the period. However, cardboard is expected to perform better over the year as a whole.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month.

Closing prices on June 19

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	60	93⅞	94¼	−0⅛	−0⅛	11.11
Australian Res. 9⅞ 84	30	96⅞	97⅛	−0⅛	−0⅛	10.58
Beneficial Fin. 9¾ 87...	100	93¾	94¼	−0⅛	−0½	11.01
CECA Grad. Rate 12 86	100	99⅝	100⅛	−0⅛	−0⅛	11.22
CECA 11¾ 90	50	100½	101¼	−0½	+0⅛	11.44
CECA 11½ 88	100	102⅜	102⅞	−0⅛	−0⅛	10.98
Canadian Pacific 9¾ 89	50	94¾	95¼	−0⅛	+0⅛	10.64
Carter Hawley 9⅞ 86 ...	50	94½	94⅞	0	+0⅛	11.07
Continental Grp. 9⅝ 86	100	94⅞	95⅜	−0⅛	−0⅛	10.76
Denmark 11¾ 90	100	101	101½	−0⅛	0	11.53
Dome Petroleum 13½ 92	50	105⅛	105⅝	−0⅛	+0½	12.59
EEC 11 85	75	98⅜	98⅞	−0⅛	+0⅛	11.19
EIB 11¾ 92	80	100⅛	100⅝	−0⅛	−0⅛	11.66
EIB 13⅛ 90	100	108⅞	109⅜	−0⅛	−0⅞	12.11
Eksportfinans 11¾ 87 ...	50	101⅛	102⅛	−0⅛	+0⅛	10.81
Export Dv. Cpn. 9¾ 84	150	98⅛	98⅝	−0⅛	+0⅛	10.22
Export Dv. Cpn. 12⅜ 87	100	106⅝	107⅛	−0⅛	−0⅛	11.23
Federal Dev. Bk. 12¾ 85	75	105½	106	0	−0⅛	10.67
Finland, Rep. of 9½ 86	100	94⅜	94¾	−0⅛	−0½	10.81
Ford O/S Fin. 12⅝ 85...	250	101¼	101¾	−0⅛	−0½	12.18
George Weston 13½ 87	30	103⅜	103⅝	−0⅛	−0⅛	12.73
GTE Finance 9¾ 89 ...	55	92⅞	92⅝	−0⅛	+1¼	11.13
GMAC 9½ 86	100	95	95½	0	+1½	10.35
GMAC O/S Fin. 11 84	100	101	101½	−0⅛	+0⅛	10.60
GMAC O/S Fin. 13¼ 85	100	106⅞	107⅜	−0⅛	−0⅛	11.35
Goodyear O/S 12½ 87...	75	99⅛	99⅞	−0⅛	−0⅛	12.58
IBM Canada 10½ 85 ...	50	101	101½	−0⅛	−0⅞	10.17
ICI Fin. Ned. 11 83...	100	101⅛	101⅝	+0⅛	0	10.37
Kennecott Int. 9½ 86...	100	90	90½	−0⅛	+1⅛	11.88
McGraw 13½ 85	75	103½	104	−0⅛	+0⅞	12.40
Michelin 10 94	125	92⅛	92⅝	−0½	+0⅛	11.08
Nat. Des. Telecm. 9½ 86	100	96⅝	97⅛	−0⅛	+1⅛	10.22
Norway 9½ 84	150	97½	98	−0⅛	0	10.22
Norwest Ind. 13⅝ 87 ...	50	101⅞	102⅜	−0½	+0⅛	13.11
Nova Scotia Pwr. 9¾ 89	60	93½	94	−0⅛	+0⅛	10.87
Quebec. Hydro 11½ 92	100	99⅛	99⅝	−0⅛	+0⅛	11.58
Rowlease Ltd. 11⅛ 85	50	102	102½	0	+0⅞	10.64
SNCF 12⅜ 85	60	106⅞	107	−0⅛	−0⅛	10.53
Statoil 9⅞ 89	100	95⅛	95⅝	−0½	+0⅛	10.43
Swed. Ex. Cred. 12½ 85	40	104	104½	−0⅛	+0⅛	11.30
Sweden 9½ 89	100	94½	95	−0⅛	+0⅛	10.69
Sweden 9⅞ 84	100	98⅛	98⅝	−0⅛	+0⅛	10.23
Warner-Lambert 9 84...	100	96⅜	96⅞	−0⅛	+0½	10.05

Average price changes On day −0⅛ on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Akzo 9 90	125	103½	104¼	+1⅛	+1⅛	8.40
Asian Dev. Bank 10 90	200	109⅛	109⅞	+0⅛	+0⅛	8.53
Australian 8⅛ 90	250	101⅝	102⅛	+0⅛	+0⅝	7.81
BFCE 7¾ 87	100	99	100	0	+0⅞	7.84
BFCE 8½ 95	100	99⅞	100⅝	0	+0⅝	8.16
Brazil 8 87	150	92⅞	93⅜	−0⅛	−0⅛	9.38
CECA 7 91	150	94⅛	94⅞	+0⅛	+1⅛	7.76
Council of Eur. 7¾ 89	100	94⅝	95⅜	+0⅛	+0⅛	8.06
Denmark 7⅞ 86	100	98	99	0	+0⅛	8.20
Denmark 8¼ 92	100	99½	100½	0	+0⅛	8.26
EEC 7⅞ 94	225	98⅛	98⅞	−0⅛	+0⅛	8.03
EIB 7½ 89	200	97⅜	98⅛	+0⅛	+0⅛	7.86
Finland Rep. of 8 86 ...	150	98⅞	99⅝	0	+0⅛	8.14
Kobe, City of 7⅛ 89...	150	95⅜	96⅛	+0⅛	+0½	7.78
Neder. Gasunie 8 86 ...	100	101⅛	101⅞	−0⅛	+0⅛	7.68
Norway 7½ 85	250	99⅛	99⅞	0	+0⅛	7.62
OKB 7⅛ 89	100	95⅛	96⅛	+0⅛	+0⅛	7.99
Oslo, City of 8⅝ 90 ...	20	102½	103¼	+0⅛	+1	8.30
Sweden 9⅜ 87	200	106⅞	107⅝	+0⅛	+0⅝	8.30
World Bank 7⅛ 91	400	97½	98⅛	0	+0⅞	8.06
World Bank 7⅞ 90	250	98⅝	99⅛	+0⅛	+0½	8.06
World Bank 10 86	150	108	108⅝	+0⅛	+0⅛	8.14
World Bank 10 90	200	110	110⅝	+0⅛	+1⅛	8.40

Average price changes... On day +0⅛ on week +0½

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 5½ 89	80	93½	94	0	−1⅛	6.43
Aumar 5 89	60	†92½	93	0	0	6.06
Bergen, City of 4⅝ 91...	40	†96	96½	0	+0½	5.20
Bergen, City of 6 90...	60	†102⅜	103⅛	−0⅛	0	5.60
BNDE 5 89	75	88⅛	89⅛	0	+0⅛	6.73
[illegible] Overseas 4¾ 91...	100	†92	93	+0⅛	−0⅛	5.14
Buhrm'n-Tetterode 7 90	40	105⅞	105⅝	0	−0⅛	6.25
Caisse Nat. Tele. 4⅜ 89	100	95⅞	96⅜	+0⅛	+1	4.91
CCCE 5⅜ 90	100	†103¼	103¾	+1⅛	+1½	5.27
Copenhagen 4½ 91	60	†90½	91	−0⅛	+0½	5.63
Council of Eur. 5 89...	100	95½	96	−0⅛	+1	5.59
[illegible] 4½ 91	100	92	92½	0	0	5.45
EIB 4⅝ 94	100	†87¾	88¼	−0⅛	−0½	5.62
Elet. de France 4⅜ 89...	100	94⅛	95⅛	−0⅛	−1	5.11
GZB 4⅛ 89	100	91⅞	92¼	+0½	+0⅛	5.36
Hilti 4½ 91	35	94¼	94¾	+0⅛	+2⅛	4.89
Int.-Amer. Dev. 4½ 89	100	92⅜	93⅛	+0⅛	+0⅛	5.49
Int.-Amer. Dev. 7 90...	80	106⅛	106⅝	+0⅛	−0⅛	6.10
Jutland Tele. 5½ 90	50	100⅛	100⅝	−0⅛	−0⅛	5.43
Malaysia 5 89	80	90⅝	91⅛	+0⅛	+0⅛	6.30
Nippon Tel. & T. 4¼ 89	100	96⅛	96⅝	+1	+1⅛	4.72
Nordic Bank 5 89	45	96⅛	96⅝	+0⅛	+1⅛	5.50
Norges Komm. 4⅞ 91...	100	92	92½	0	−0⅞	5.30
OKB 4⅞ 91	100	91⅛	91⅝	−0⅛	+0⅛	5.40
OKB 6 90	100	104	104½	−0⅛	−0⅛	5.42
Oslo, City of 4⅜ 91 ...	100	90⅝	91⅛	0	+0½	5.46
Shikoku El. Pwr. 4¾ 89	100	94⅞	95⅛	0	+0⅛	5.47
Voest-Alpine 4⅜ 89	90	85½	86⅛	+0½	+0⅛	5.34
World Bank 4⅝ 89	100	94⅞	95⅜	−1⅛	−0⅛	5.31
World Bank 4⅜ 89	150	92⅛	92⅝	0	+0⅛	5.42
World Bank 4⅝ 91	100	93	93½	+0⅛	+0⅛	5.43

Average price changes... On day 0 on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	91⅞	93⅛	0	+0⅛	8.29
Australia 6½ 88	20	89⅛	90⅛	−0⅛	+0½	8.37
EIB 7⅛ 89	12	95⅛	96⅞	−0⅛	+0½	8.38
Finland 5.6 83	10	91¼	92½	+0⅛	+0½	8.38
Finland 6.8 88	10	89⅝	90⅞	−0⅛	+0⅛	8.61

Average price changes On day −0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10⅝ 86 C$	60	96¼	96¾	+0⅛	+1½	11.54
CIBC 13½ 85 C$	50	105	105½	0	+1	12.00
Cr. Foncier 10⅜ 84 C$	30	†92	93	0	−0½	12.74
Fst. Can Inv. 10 84 C$	50	95⅛	95⅝	+0⅛	+0⅞	11.52
GMAC 12 85 C$	50	†99½	100	−0½	+0⅛	12.07
Quebec 10¼ 86 C$	50	93	95	−0⅛	0	11.71
R. Bk. Canada 10 86 C$	40	94	94½	−0⅛	0	11.38
R. Bk. Canada 10 94 C$	40	88⅛	88⅝	−0⅛	+0⅛	11.73
Tordom Cpn. 13½ 85 C$	30	105⅛	105⅝	0	+1⅛	11.94
M. Bk. Dnmk. 8 91 EUA	25	94⅞	95⅞	−0⅛	0	9.65
SOFTE 8¾ 89 EUA	40	88⅞	89⅛	+0⅛	+0⅛	10.48
U. Bk. Nrwy. 9½ 90 EUA	18	97⅜	99	0	−0⅛	9.75
Algemene Bk. 8¾ 84 Fl	75	96½	97	0	−0⅛	9.19
Ned. Gasunie 8⅝ 84 Fl	50	98⅛	99⅛	0	+0⅛	9.01
Ned. Middbk. 8¾ 84 Fl	75	95½	96	0	−0½	9.62
Norway 8⅞ 84 Fl	100	96⅝	97⅛	0	0	9.25
Norway 8⅛ 84 Fl	100	97⅛	97⅝	0	−0⅛	8.99
Philips Lamps 8¾ 84 Fl	75	96⅞	97⅜	−0⅛	−0⅛	9.20
Air France 11 84 FFr	120	95	95⅝	0	+0⅛	12.43
CECA 14⅛ 86 FFr	150	104⅝	105⅛	0	0	13.00
Euratom 9⅞ 87 FFr	150	84⅞	85⅛	+0⅛	+0⅛	13.04
Finland 11 84 FFr	80	94	94½	0	+0⅛	12.77
Finland 11½ 89 FFr	70	92⅛	93	−0⅛	+0⅛	12.87
Gaz de France 11 84 FFr	150	94⅜	94⅞	−1⅞	+0½	12.67
IBM France 11⅞ 84 FFr	120	97	97¾	−0⅛	−0⅛	12.62
Renault 9¾ 85 FFr	100	86⅝	87⅝	−0⅛	+1	13.45
Saint-Gobain 9¾ 86 FFr	130	85⅞	86½	+0⅛	+0⅛	13.38
Solvay et Cie 9¾ 87 FFr	125	83¾	85	0	+1½	13.36
Beneficial Fin. 14⅛ 90 £	20	100⅛	100⅝	−0½	+1½	14.14
Citicorp O/S 13½ 90 £	50	99⅝	100⅛	−0⅛	+1⅛	13.51
EIB 11½ 91 £	25	91⅝	92⅝	+0⅛	+1	12.88
Fin. for Ind. 12½ 89 £	30	96⅝	97⅜	−0⅛	+0⅛	13.08
Fin. for. Ind. 14½ 88 £	20	103	103½	−0⅛	+2⅛	13.72
Gen. Elec. Co. 12½ 89 £	50	96⅛	97⅛	−0⅛	0	13.07
Swed. Ex. Cr. 15⅛ 85 £	20	104	104½	−0⅛	+1½	13.90
Indonesia 8¾ 91 KD ...	7	†93	93½	0	0	8.77
Mitsubishi 7½ 84 KD ...	10	†92⅜	93	0	0	9.75
Norges Kom. 7½ 89 KD	12	†93⅜	93⅞	0	0	8.55
Occidental 8¾ 91 KD ...	7	†90⅛	90⅞	0	0	9.69
Akze 9⅞ 87 LuxFr ...	500	93½	94½	+0½	+0⅛	10.44
Euratom 8 87 LuxFr ...	500	89½	90½	0	+0⅛	10.18
Euratom 9¾ 88 LuxFr ...	500	97⅝	98⅛	−0½	−0⅛	10.09
EIB 9⅝ 88 LuxFr	600	97½	98⅛	−0⅛	0	10.19
Volvo 9⅝ 87 LuxFr	500	96⅝	97⅝	−0⅛	0	10.30

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bk. 5⅛ 87	0⅛	97⅞	98⅛	2/7	15⅛	15.43
Banco di Roma Int. 6 87	0⅛	100½	101	26/10	15.31	15.20
Bank of Ireland 5⅛ 89	‡0⅛	98⅛	98⅝	21/8	11.81	12.07
Bank of Tokyo 5⅛ 89	‡0⅛	97⅝	98⅛	25/10	16.56	16.90
Barclays O/S Inv. 5 90	0⅛	98	98⅞	13/12	9⅝	9.80
Bergen Bk. A/S 6 89...	‡0⅛	97⅛	97⅝	29/8	10	10.27
Bque. Indo Suez 5⅛ 89	0⅛	98⅜	99⅛	11/7	14.69	14.84
Citicorp O/S F. 6 94 ...	‡0⅛	98⅛	98⅝	8/9	10⅛	10.28
Citicorp O/S F. 83 ...	§‡0	99⅛	99⅝	23/8	10.19	10.25
Citicorp O/S F. 84 ...	‡0	98⅛	98⅝	30/6	9.81	9.96
C. Itoh 5⅛ 87	0⅛	101	101½	18/9	19.44	19.20
Co-operative Bk. 6 86...	0⅛	98⅜	98⅞	15/11	11.44	11.60
Creditanstalt 5½ 91 ...	§‡0⅛	97½	98	14/9	9.44	9.65
CNT 5⅛ 88	§0⅛	101⅞	102⅛	16/10	18⅛	17.77
GZB 5½ 89	‡0⅛	98⅛	99⅛	1/8	15⅛	15.42
Jugobanka 8 89	0⅞	90	92	23/11	11⅝	12.77
Ind. Bank Japan 5⅛ 87	0⅛	101⅛	101⅝	15/10	18⅜	18.47
LTCB Japan 5⅛ 86	0⅞	98⅝	99⅛	13/12	9⅝	9.73
LTCB Japan 5½ 89	0⅛	98½	99	7/12	10⅛	10.25
Mfrs. Han. O/S 5⅛ 94	‡0⅞	97⅞	98⅜	31/8	9⅞	10.06
Midland Intl. Fin. 5 89	0⅛	99⅞	100⅜	20/6	15	14.98
Midland Intl. Fin. 5⅛ 92	−0⅛	99	99½	5/12	10⅞	10.96
Nacional Fin. 6⅛ 86 ...	0⅛	98⅛	98⅝	25/7	14.69	14.91
Nat. West. 5⅛ 94	§0⅛	101⅛	101⅞	11/10	18⅝	18.33
Nippon Credit 6½ 86 ...	0⅛	97⅜	98⅛	12/7	14.44	14.73
Nippon Credit 5⅛ 87 ...	‡0⅛	97⅜	98⅛	6/8	14⅛	14.67
Royal Bk. Scot. 5⅞ 94	§‡0⅛	98½	99	11/7	19½	19.75
Soc. C. de Bque. 6½ 87	0⅛	100⅜	101⅛	3/10	20.06	19.88
Sogenal 5⅜ 89	§0⅛	98⅛	98⅝	13/7	14.44	14.69
Standard Chart. 5⅛ 90	0⅛	101⅜	102⅛	6/9	17⅛	16.91
Sweden 8⅛ 91	‡0⅛	97⅛	97⅝	18/10	18⅛	18.30
Williams & Glyn 5⅛ 91	0⅛	100⅞	101⅜	14/9	18½	18.29
Bq. E. d'Alq. 4⅛ 89 SF	0⅝	†87½	88	18/6	6.59	7.62

Average price changes... On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Akt'bolag 7⅜ 89...	10/79	145	†120	121	−3	−4.58
Ajinomoto 7⅛ 95	2/80	615.5	107⅝	108⅝	+1⅛	0.49
Alco Int. Fin. 9½ 94 ...	1/80	40	94½	95⅜	−0⅛	32.90
Apache I. Fin. 8⅝ 95...	12/80	31.68	111	112¼	+0⅞	49.69
Asahi Optical 7 94	11/79	526.1	102	103	+1⅛	−1.58
Canon 6⅛ 94	8/79	570	112⅞	113⅞	−0⅛	−1.47
Credit Suisse 4⅛ 93 ...	10/79	1278	101⅞	102⅞	−0⅛	−2.96
Daiei Inc. 6½ 94	11/79	827.3	99⅝	100⅝	+0⅛	22.43
DDKK 11 90	4/80	324	113⅛	114⅛	+0⅛	12.40
Dynalectron 9½ 95	8/80	12.22	107⅛	108⅛	+0⅛	−3.26
Enserch Fin. 9½ 94	7/80	30.25	116⅛	117⅛	+1⅛	4.67
LPC Internatl. 8 89 ...	9/79	23.33	†103½	105	+0½	15.52
Maidensha Elec. 7 94...	12/79	210	99⅜	100⅜	−0⅛	10.08
Mitsubishi Co. 6½ 94...	10/79	549.1	128½	129½	−1⅛	2.08
Nippon Seiko 7⅛ 94	12/79	339	†109⅝	110⅝	−3½	4.81
Nitto Elec. Ind. 6 94 ...	7/79	735	87	88⅛	−0⅛	7.90
Toshiba Cpn. 7⅛ 94 ...	10/79	198	100⅞	101⅞	−0½	−2.59
Union Bk. Switz. 5 89...	2/80	121.4	99	100⅛	−0⅛	3.43
Fujitsu 5 84 DM	7/79	475	103½	104⅛	+0⅛	10.71
Kansai Elec. 4 84 DM ...	4/79	1234	87	88	−0⅛	33.09
Uny Co. 6½ 85 DM	11/79	1071	95⅛	96⅛	−0⅛	25.59

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

ITALIAN MOTOR INDUSTRY

Alfa Romeo forecasts profits in 1985

BY PAUL BETTS IN ROME

ALFA ROMEO, the troubled Italian state-controlled car group, is to unveil a 10-year recovery programme at its annual meeting at the end of this month.

The plan envisages additional funding of L300bn ($360m) to the ailing car group over the next three years with a first tranche of L100bn this year. Two further tranches of L100bn each will be made available to Alfa Romeo in 1981 and 1982.

At the same time Alfa Romeo plans new investments totalling L1,165bn during the next ten years.

The recovery programme is designed to bring the group's heavily loss-making car operations to profitability by 1985. Alfa Romeo forecasts its car operations will lose L72bn this year, L51bn in 1981, L43bn in 1982 and L37bn in 1983.

The group's car activities are forecast to break even in 1984 and show a profit of L48bn in 1985.

However, the group as a whole, which posted a loss of L54.9bn last year, is expected to break even from the end of this year.

This is the result of a group reorganisation programme whose object is to incorporate all Alfa Romeo's subsidiaries, including the financially-troubled Alfasud car manufacturing concern based in Naples, under the umbrella of a single company, Alfa Romeo SpA.

The programme will lead to substantial capital gains through the revaluation of assets, thus enabling Alfa Romeo to break even despite the continuing losses on car manufacturing during the next three years.

The recovery programme also hinges on a joint venture between the Italian group and Nissan of Japan to build a new medium-sized car at Alfa's Pomigliano d'Arco plant near Naples. Although agreement between Alfa Romeo and Nissan has been reached, the Italian company is still waiting for Government approval to go ahead.

The deal has caused a major controversy in Italy and has been fiercely opposed by the Fiat car group, Italy's largest private enterprise. The Italian Government is expected to take a decision before the end of next month.

● Montedison, the chemicals concern, said sales in the first five months of this year were up 28 per cent at L3,870bn ($4.64bn) compared with the same period of 1979.

Sig Luigi Craici, director of the economic and strategical studies department and assistant to the president, said that 1980 results would be less favourable than in 1979 despite the increase in sales so far.

The worldwide recession had started to hit Italy and industrial production in the first four months had declined substantially.

Shell Australia calls doubled earnings illusory

BY JAMES FORTH IN SYDNEY

SHELL AUSTRALIA, the local offshoot of the Anglo-Dutch oil major, more than doubled profit in 1979 from A$43.3m to A$85.1m (US$96.3m), but directors described the result as "largely illusory" because it failed to take into account the impact of inflation on stocks and profits. The result was achieved on a 47 per cent increase in sales to A$1.7bn (US$1.9bn).

Despite the reference to illusory profits, the directors described the result as encouraging, particularly following the group's A$12m set-back to earnings in 1978. The result was after a jump in tax from A$38.7m to A$62.1m.

The directors said that, if allowance had been made for the effect of oil price increases in 1979, Shell's result would have been a loss of A$55.6m, instead of the record profit declared.

Shell said profit reported by the company on an historical cost basis failed to take account of a A$137m increase of the cost of stock replacement over the year. The cost of maintaining stocks at Shell's normal level of around 12m barrels of oil had more than doubled in the past two years to A$330m, imposing considerable strains on the company's ability to finance its business and undertake new investment.

In the past five years Shell's net income was A$271m, but capital investment and exploration expenditure exceeded A$576m in the same period.

Shell also disclosed that it was investigating the possibility of participating in an aluminium smelter in Australia and/or the Pacific Basin region. It is also intended to bring the Windarra nickel mine back into production, and plans are being considered for producing gold in the Windarra joint venture area.

Shell expects to invest an average of A$200m a year for the next five years in its Australian oil refining, marketing and chemicals operations and on natural resource projects. It expects to continue to operate with a negative cash flow in the next few years, and have moved to cover the position with a U.S.$200m borrowing and a planned capital injection from the Anglo-Dutch parent.

Referring to the aluminium plans, Shell said it was interested in establishing a smelter in the Pacific Basin or Western Australia to fit in with a local use for its 300,000-tonne share of alumina production from the Worsley refinery in Western Australia. Talks had been held with the WA Government, but no formal submission had been made. It was hoped to become involved in a smelter by 1984.

BMW sees slowing autumn sales

BY KEVIN DONE IN FRANKFURT

BMW, the West German producer of high performance cars, increased its sales in the first six months of 1980 by some 4 per cent to around DM 3.65bn.

Herr Eberhard von Kuenheim, chief executive, warned share holders at the annual meeting yesterday, however, that sales would slow in the autumn. BMW would still have a "successful" year, although it might not match the high points of the recent boom years.

Production in the first six months would total about 185,000 cars. Deliveries to dealers would reach about the same level, close to the BMW's performance in the first half of 1979. The first four months of 1980 saw new car registrations in West Germany drop by 9.7 per cent.

BMW is still studying a short-list of sites as the location for its proposed new car assembly plant, said Herr von Kuenheim but no decision had yet been made.

Dr. Herbert Quandt, the chairman of the BMW supervisory board, announced that he was stepping down from the position, although he will maintain a place on the supervisory board. Dr. Quandt, aged 70, is personally the major shareholder in the Bavarian motor car manufacturer.

Together with other members of his family he owns some 70 per cent of the BMW shares. He will be replaced as chairman by Hans Graf von der Goltz, the director with full powers of attorney in the Quandt group.

● Chemicals group Bayer increased sales by 12.8 per cent in the first five months of 1980 compared with the same period a year ago, with world group sales up 15.9 per cent, Herr Herbert Gruenewald, the chairman, said. The latest business data confirms expectations of a "perceptible slackening in economic impetus for the second half," he added.

However, the company stood by its previous estimate of 8 to 10 per cent sales growth this year and expects profits comparable with 1979.

Cristiania Bank shows lower income

By Fay Gjester in Oslo

CHRISTIANIA BANK og Kreditkasse, Norway's second largest commercial bank since its merger with Andresens Bank, reports operating profits of NKr 82m in the first four months of 1980—some NKr 5m down on the total for the two banks in the same period last year.

Total assets at the end April were NKr 16.9bn up, NKr 944m on the total for the two banks in the previous year.

The bank says official interest policy has put pressure on the banks' interest margins. This hit Andresens' operations particularly hard because large parts of the smaller bank's capital requirements were covered in the short-term capital market.

Christiania's Luxembourg subsidiary improved its four months result by NKr 2.2m to NKr 13.7m compared with the total for the two banks' Luxembourg subsidiaries a year earlier.

Meanwhile, Den norske Creditbank (DnC), the largest Norwegian commercial bank, has announced that it plans to raise up to NKr 200m, or the foreign currency equivalent, as subordinated loan capital. The move aims to bring equity capital into line with increased deposits.

The issue, which will need official permission, will be floated either by the bank itself or by its subsidiary in Luxembourg.

SIP cutback damages suppliers

BY RUPERT CORNWELL IN ROME

ITALY'S telecommunications industry is on the brink of a crisis after the announcement by major equipment suppliers that they will be forced to lay off 30,000 workers this month and next as a result of a sharp cut in investment plans by the state telephone authority SIP.

Essentially five companies are involved: SIT Siemens, of the IRI publicly-owned group, FACE of the ITT group, the Fiat subsidiary Telettra, Fatme controlled by Ericsson of Sweden and GTE of the U.S. They set out their decision in a plea to Sig. Clelio Darida, the Italian Posts Minister.

The drastic move follows notification by SIP to its suppliers that the public agency is virtually cancelling all its scheduled investments for the second half of this year as a result of its deepening financial problems.

Earlier this year SIP announced a record 1979 loss of L486bn ($583m) which it blamed entirely on the failure of the Government to implement adequate telephone charge increases. Tariffs were lifted at the beginning of this year, but only enough to let SIP to keep up repayment of existing borrowings.

Its development programme had scheduled investment for this year of about L2,250bn ($2.7bn). However, its failure to secure sufficient revenues forced it to cut spending sharply. Total investment in new switching and exchanges is on present indications unlikely to exceed L800bn ($980m) for 1980.

Underlying the financial plight of SIP, and the threatened layoffs, is the acutely sensitive political issue of public sector utility pricing and its implications for Italy's already high inflation rate.

Holden to close NSW car assembly plant

BY OUR SYDNEY CORRESPONDENT

AUSTRALIA'S largest motor vehicle manufacturer, General Motors-Holden's, an offshoot of General Motors of the U.S., has told the Australian Government that it intends to close its car assembly plant at Pagewood, New South Wales, as part of a rationalisation of its manufacturing facilities.

GMH advised the Government that about 1,500 jobs would be affected by the closure. The plant currently produces around 120 Commodore vehicles a day. The GMH decision to close Pagewood was based on the need to rationalise Commodore production.

It was considering closing its Elizabeth plant in South Australia as an alternative, but decided on Pagewood because of lower transport costs between Adelaide and Melbourne, compared with Melbourne and Sydney.

Following the closure of Pagewood, GMH would manufacture and assemble vehicles in only three states, Victoria at Dandenong and Fisherman's Bend, South Australia at Elizabeth, and Queensland at Acacia Ridge.

Mr. Neville Wran, the NSW Premier, reacted to the news by threatening to stop state and local government purchases of GMH vehicles if the Pagewood plant is closed. These purchases run to 2,000 vehicles a year.

"We're not some banana republic which the Federal Government and large corporations can disregard," Mr. Wran said.

Overseas gives reconstruction outline

BY OUR SYDNEY CORRESPONDENT

OVERSEAS CORPORATION, currently trying to ward off a A$60m ($69m) takeover bid from McIlwraith-Davey Industries Limited, yesterday released vague details about its long-promised capital reconstruction. But it appears that shareholders will not be getting much in the near future apart from an increased dividend.

In other developments yesterday the Melbourne stock exchange demanded that McIlwraith announce by 10 am today that it will make an unconditional bid: Overseas started Supreme Court proceedings against McIlwraith; and McIlwraith boosted its stake in Overseas to above 30 per cent of its capital.

Overseas directors said that reconstruction was designed to make fullest use of the company's financial strength, while observing all commonly accepted standards of commercial prudence.

It would begin by making major additions to Overseas' existing portfolio of investment assets. The board had identified a number of opportunities for profitable investment which would materially increase profit without calling on shareholders for additional equity. Once the investments had been made, directors intended that dividends should rise, in line with increasing earnings.

The second phase included a tax-free capital return. One option under consideration was the formation of a property trust, which, directors said, would enhance cash flows. They said that if the company borrowed A$20m it was expected to return 13 per cent, with a projected increase in earnings per share this year of 2.8 cents on the previously projected earnings per share of 16.2 cents. If the group borrowed A$30m the increase in earnings per share would be 4.2 cents.

The directors also announced that they had started Supreme Court proceedings to ensure that formal takeover offers to be made by McIlwraith were on terms and conditions at least as favourable as those contained in arrangements already entered into with some shareholders.

The Melbourne stock exchange said it required an assurance that the McIlwraith formal takeover documents would be sent no later than July 31, and that the offer would be unconditional.

McIlwraith yesterday bought a further 1.14m Overseas shares on the share market at its offer price of A$1.40 a share, lifting its holding about 2.5 per cent to just more than 31 per cent of Overseas.

Coal leads Packer into bid for Forestwood

BY OUR SYDNEY CORRESPONDENT

CONSOLIDATED PRESS Holdings has launched through the market a takeover bid for Forestwood Australia. CPH, controlled by Mr. Kerry Packer, already holds 19.9 per cent of Forestwood acquired earlier this year in a buying operation on the share market.

CPH intends to stand in the market for one month and take all shares offered at A$3.50 a share, which values Forestwood at A$34.5m ($39.6m). The offer price is 90 cents a share above that paid by CPH earlier this year when it gained its present stake.

Forestwood's coal prospects are the major attraction to CPH, which earlier bought 25 per cent of White Industries, another New South Wales coal group, only to sell out to a group headed by Mr. Alan Bond.

After CPH disclosed its initial move into Forestwood, Marubeni, another Japanese group, purchased 14.9 per cent of the capital. It seems unlikely that Marubeni would accept the latest CPH bid.

Pent-up demand is having a dramatic impact on the Paris stock market, reports **Terry Dodsworth**

Sweeping the new issue houses off their feet

TWO SHARE ISSUES on the Paris bourse in the last few weeks have demonstrated the extraordinary interest currently being generated by equities in a market awash with funds. Both of the offers were oversubscribed to such an extent that they had to be called off half-way through and reorganised. In the process they have raised doubts about the efficacy of the issuing system as well as the Government's drive to establish the stock market as a serious fund raising base rather than a speculator's paradise.

In the first case, a well-known, rapidly-expanding family cheese company called Bongrain offered 400,200 of its shares to the public. Subscriptions amounted to almost 33m shares. In the second, a more modest offer of 158,000 shares in another food company, Generale Biscuit, pulled in a similarly inflated 22m order. There have been examples before of excessive demand over supply—the issue of 222,000 shares in the Promodes stores group last year produced about 5m orders—but experts are hard put to remember previous disparities of this magnitude.

The Paris bourse has two methods of issuing new shares. Bongrain, a company with several renowned, high-quality cheeses under its wing, but entirely new to the market, used the tender system—fixing a minimum price (FFr 480 a share) and then asking investors to come along with offers. Demand in such a case is clearly conditioned by subscribers' expectations of rival

Traders on the Paris stock exchange: coping with strong investor demand for new issues

orders. In this case, buyers both bid high (up to FFr 910) and put in enormously inflated volume requests in order to ensure an adequate allocation in the final distribution.

The stockbrokers' association which is in charge of new issues on the Paris bourse finally resolved the Bongrain impasse by halting the original offer and insisting on a new one backed by a tangible show of funds to guarantee the bids. This took some of the steam out of the speculators, but the bids still amounted to about 2.9m in total and the association was obliged to divide up the issue.

According to the rules, the division was made by entirely cancelling both the very high and very low offers, fixing a kind of compromise price of FFr 600, and then allocating the available shares with a bias towards the higher offers—on the assumption that the more expensive bids suggested greater interest in the company. With Bongrain shares now trading at about FFr 650, holders are currently sitting on good profits.

Generale Biscuit's offer was made at a fixed price, a less usual new issue procedure on the Paris Bourse. With a proportion of its shares already quoted following a recent reverse takeover, the company had a guide to its market standing and made an offer at FFr 375 a share, a little below its last quoted price. Again the stockbrokers' association is trying to stem the flood of demand by starting the procedure all over again while demanding that investors put down financial guarantees to cover their demands. The final outcome of this re-run is still being awaited.

Some financial analysts believe that the Bongrain and Generale Biscuit cases have demonstrated weaknesses in the present offer rules. Most of these criticisms are directed at the more popular tender system. First, this leads to ill-feeling about the method of allocating shares: why should higher offers attract a greater part of the share out, it is argued, when the highest bidders do not have to pay the price they have bid? Secondly, the system frequently has the effect of bidding up prices. These then fall sharply after the issue and do no good to the stock market's reputation.

Such critics would like to move more towards the fixed price mechanism, with the price established by a totally independent issuing house (say a bank), on the grounds that this produces a rational analysis of the value of a share. As the Generale Biscuit case has shown, this form of issue can also be massively oversubscribed in a liquid market. But over-ordering would be limited, the proponents suggest, by asking for financial cover for orders in the first place—as the authorities have demanded second time round at Generale Biscuit.

But these two share issues also illustrate the more deep-seated economic problems of an industrial system which is not yet ready to soak up the funds which Government policies are managing to release on to the financial markets. The larger French companies, though apparently coming out of a long investment slump, are not yet investing heavily. The smaller and medium-size businesses which the authorities are trying to stimulate seem to be more interested in survival than growth. As a result, there is a shortage of industrial demand for equity funds, leading to a highly stimulated secondary market—the index is up 10 per cent this year—and a hysterical response by investors when new companies do come on to the market.

Part of this hysteria, of course, can be attributed to the particular circumstances of the market at the moment, when big institutional investors are uncertain about trends in the bond sector and are looking for alternatives. But the surplus of funds is also due to two of the most important economic measures taken by the present administration. The first of these, the development of the Sicav investment trusts for the small saver, generated about FFr 4bn last year, just about the amount taken up in new equity issues. The second measure has freed industrial prices and restored profits in a dramatic fashion, leading in turn to much higher dividend payouts, many of which are still looking for a new home. Dividend awards amounted to about FFr 10bn last year, some 15 per cent more than in 1978.

The challenge facing the authorities now is to encourage new companies to emerge in sufficient numbers to absorb the available funds. A rate of about 12 new offers a year would, the authorities say, be about right, against only seven last year and three in 1978. In order to achieve that, the equity market has to promote itself against the traditional bias of French industry towards long-term debt, as well as the French businessman's instinct to keep his company's shares quietly in the family rather than shout about their attractions from the roof-tops. And the government, for its part, has to show that there are sufficient prospects of growth to encourage the cycle of investment and equity expansion.

WORLD VALUE OF THE DOLLAR

Bank of America NT & SA, Economic Department, London

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, June 18, 1980. The Exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT and SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT and SA nor the Financial Times assume responsibility for errors.

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (O)	44.00
Albania	Lek	4.3351
Algeria	Dinar	3.1325
Andorra	French Franc	4.1078
	Spanish Peseta	70.05
Angola	Kwanza	27.627
Antigua	E. Caribbean $	2.7025
Argentina	Argentine Peso	1822.00
Australia	Australian $	0.8642
Austria	Schilling	12.565
Azores	Portug. Escudo	48.82
Bahamas	Bahamian $	1.00
Bahrain	Dinar	0.3778
Balearic Isles	Spanish Peseta	70.05
Bangladesh	Taka	14.7603
Barbados	Barbados $	2.01
Belgium	B. Franc (C)	28.232
	B. Franc (F)	28.35
Belize	Belize $	2.00
Benin	C.F.A. Franc	205.39
Bermuda	Bda $	1.00
Bhutan	Indian Rupee	7.8802
Bolivia	Bolivian Peso	25.00
Botswana	Pula	0.7833
Brazil	Cruzeiro	50.71
Brit. Virgin Isles	U.S. $	1.00
Brunei	Brunei $	2.132
Bulgaria	Lev	0.879
Burma	Kyat	6.7271
Burundi	Burundi Franc	90.00
CamerounRepub'c	C.F.A. Franc	205.39
Canada	Canadian $	1.1508
Canary Islands	Spanish Peseta	70.05
Cape Verde Isle.	Cape V. Escudo	36.51
Cayman Islands	Cay. Is. $	0.835
Cent. Af. Rep.	C.F.A. Franc	205.39
Chad	C.F.A. Franc	205.39
Chile	Chilean Peso (O)	39.00
China	Renminbi Yuan	1.4907
Colombia	Col. Peso (O)	46.78
Comoros Islands	C.F.A. Franc	205.39
Congo (Brazaville)	C.F.A. Franc	205.39
Costa Rica	Colon	8.57
Cuba	Cuban Peso	0.707
Cyprus	Cyprus Pound	0.3529
Czechoslovakia	Koruna (O)	5.50
Dem. Rep. S'oTome & Principe	S. Tome Dobra	34.2267
Denmark	Danish Krone	5.4745
Djibouti Rp. of	Djibouti Franc	171.689
Dominica	E. Caribbean $	2.7025
Dominican Repub.	Domin'can Peso	1.00
Equador	Sucre	28.10
Egypt	Pound (3)	0.69
El Salvador	Colon	2.50
Equatorial Guinea	Ekuele	70.05
Ethiopia	Birr (O)	2.0855
Faroe Islands	Danish Krone	5.4745
Falkland Islands	Falkland Is. £*	2.3298
Fiji Islands	Fiji $	0.8108
Finland	Markka	3.637
France	French Franc	4.1078
French C'ty in Af.	C.F.A. Franc	205.39
French Guiana	Local Franc	4.1078
French Pacific Is.	C.F.P. Franc	73.3968
Gabon	C.F.A. Franc	205.39
Gambia	Dalasi	1.7169
Germany (East)	Ostmark (O)	1.7645
Germany (West)	Deutschemark	1.7645
Ghana	Cedi	2.75
Gibraltar	Pound*	2.3298
Gilbert Is.	Aust. $	0.8642
Greece	Drachma	42.90
Greenland	Danish Krone	5.4745
Grenada	E. Caribbean $	2.7025
Guadaloupe	Local Franc	4.1078
Guam	U.S. $	1.00
Guatamala	Quetzal	1.00
Guinea Bissau	Peso	33.2812
Guinea Republic	Syli	18.6717
Guyana	Guyanese $	2.5628
Haiti	Gourde	5.00
Honduras Repub.	Lempira	2.00
Hong Kong	H.K. $	4.93
Hungary	Forint (O)	32.6022
Iceland	I. Krona	429.70
India	Ind. Rupee	7.8802
Indonesia	Rupiah	625.00
Iran	Rial	74.00
Iraq	Iraq Dinar	0.2953
Irish Republic	Irish Punt*	2.132
Israel	Israeli Pound (4)	47.34
Italy	Lira	833.75
Ivory Coast	C.F.A. Franc	205.39
Jamaica	Jamaican Dollar	1.7835
Japan	Yen	216.07
Jordan	Jordan Dinar	0.2935
Kampuchea	Riel	n.a.
Kenya	Kenya Shilling	7.3067
Korea (Nth)	Won	0.94
Korea (Sth)	Won	583.00
Kuwait	Kuwait Dinar	0.2671
Lao P'pls D. Rep	Kip of Lib.	400.00
Lebanon	Lebonese Pound	3.4227
Lesotho	Loti	0.7734
Liberia	Liberian $	1.00
Libya	Libyan Dinar	0.2961
Liechtenstein	Swiss Franc	1.6253
Luxembourg	Lux Franc	28.323
Macao	Pataca	5.305
Madagascar D. R.	MG Franc	205.39
Madeira	Portugese Escudo	48.82
Malawi	Kwacha	0.8125
Malaysia	Ringitt	2.153
Maldive Islands	Mal Rupee	3.93
Mali Republic	Mali Franc	410.78
Malta	Maltese Pound	0.3419
Martinique	Local Franc	4.1078
Mauritania	Ouguiya	41.078
Mauritius	M. Rupee	7.5639
Mexico	Mexican Peso	22.87
Miquelon	French Franc	4.1078
Monaco	French Franc	4.1078
Mongolia	Tugrik (O)	3.3555
Monserrat	E. Caribbean $	2.7025
Morocco	Dirham	3.7022
Mozambique	Moz. Escudo	27.9938
Namibia	Rand	0.7734
Nauru Is.	Aust. $	0.8642
Nepal	Nepalese Rupee	12.00
Netherlands	Dutch Guilder	1.932
NetherlandAntilles	Antillian Guild	1.80
New Hebrides	Aust. $	0.8642
	FNH	66.3833
New Zealand	NZ $	1.0104
Nicaragua	Cordoba	10.00
Niger Republic	C.F.A. Franc	205.39
Nigeria	Naira (O)	0.5803
Norway	Norw'g Krone	4.8485
Oman, Sultanate of	Rial Omani	0.3456
Pakistan	Pkst. Rupee	9.91
Panama	Balboa	1.00
Papua N. Guinea	Kina	0.67
Paraguay	Guarani	137.30
Peoples D. Repub. of Yemen	S. Yemen Dinar	0.3415
Peru	Sol	270.25
Philippines	Ph. Peso	7.5034
Pitcairn Islands	NZ $	1.0104
Poland	Zloty (O)	31.00
Portugal	Port. Escudo	48.82
Port Timor	Timor Escudo	n.a
Puerto Rico	U.S. $	1.00
Qatar	Qatar Ryal	3.678
Reunion Ile de la	French Frank	4.107
Romania	Leu	4.47
Rwanda	Rwanda Franc	92.84
St. Christopher	E. Caribbean $	2.7025
St. Helena	Sterling*	2.3298
St. Lucia	E. Caribbean $	2.7025
St. Pierre	Fr Franc	4.1078
St. Vincent	E. Caribbean $	2.7025
Samoa American	U.S. $	1.00
San Marino	Italian Lira	833.75
Saudi Arabia	Saudi Riyal	3.33
Senegal	C. F. A. Franc	205.39
Seychelles	S. Rupee	5.7215
Sierra Leone	Leone	0.8584
Singapore	Singapore $	2.132
Solomon Islands	S.I. $	0.8642
Somali Republic	Som. Shilling	6.0241
South Africa	Rand	0.7734
Spain	Peseta.	70.05
Spanish Ports in North Africa	Sp. Peseta	70.05
Sri Lanka	S. L. Rupee	15.90
Sudan Republic	Pound (2)	0.50
Sudan Republic	Pound (1)	0.80
Surinam	S. Guilder	1.80
Swaziland	Lilangeni	0.7734
Sweden	S. Krona	4.159
Switzerland	Swiss Franc	1.6353
Syria	Syria Pound.	3.9262
Taiwan	New Taiwan (O)	36.00
Tanzania	Tan Shilling	8.2893
Thailand	Baht.	20.50
Togo Republic	C.F.A. Franc	205.39
Tonga Islands	Pa'anga	0.8642
Trinidad & Tob.	Trin. & Tob. $	2.4063
Tunisia	Tunisian Dinar	0.4131
Turkey	Lira	74.43
Turks & Caicos	U.S. $	1.00
Tuvalu	Australian $	0.8642
Uganda	Ug. Shilling	7.3067
United Arab Emir.	UAE Dirham	3.7025
United Kingdom	£ Sterling*	2.3298
Upper Volta	C.F.A. Franc	205.39
Uruguay	Urug. Peso (m)	8.90
U.S.S.R.	Rouble	0.6435
Vatican	Italian Lira	833.75
Venezuela	Bolivar	4.2937
Vietnam N.	Dong (O)	2.18
Virgin Islands U.S.	U.S. $	1.00
Western Samoa	Samoan Tala	0.9036
Yemen	Rial	4.57
Yugoslavia	New Y. Dinar	27.30
Zaire Republic	Zaire Zaire	1.9785
Zambia	Kwacha	0.7747
Zimbabwe	Zim $	0.6935

n.a Not available. * U.S. dollars per National Currency unit. (O) Official rate. (C) Commercial rate. (F) Financial rate.
(1) Sudan—Official rate for specified exports and imports. (2) Sudan—Official rate for all transactions except specified exports and imports.
(3) Egypt—A different rate applies to certain transactions with non-IMF countries.
(4) Israeli Government are changing their currency to Shekels. However dealers are currently quoting in pounds.

Companies and Markets

CURRENCIES, MONEY and GOLD

Dollar soft

The dollar finished slightly higher on the day against other major currencies, following its firmer trend overnight in New York and the Far East. An initial rise in Euro-dollar rates also helped the U.S. currency during the morning, but it lost ground in the afternoon on selling from New York. The dollar traded between DM 1.7655 and DM 1.7740 against the D-mark, and finished near the lower end of its range at DM 1.7670, but still firmer than Wednesday's close of DM 1.7620. Movements were similar against other currencies, with the dollar finishing slightly firmer on the day, but towards the bottom of the day's range. On Bank of England figures the dollars index rose to 83.4 from 83.3.

Sterling's index rose to 73.5 from 73.4, after standing at 73.4 at noon and 73.2 in the morning. The pound closed 25 points higher against the dollar at $2.3350-2.3360. It opened at $2.3245-2.3255, but fell in a similar way to last Thursday on rumours of a cut in Bank of England Minimum Lending Rate. Sterling touched a low of $2.3165-2.3175, but when the MLR rumours proved groundless once again it recovered to $2.3220-2.3230 at noon, and reached a peak of $2.3360-2.3375 in the afternoon as the dollar weakened. A large selling order out of the Middle East failed to depress the pound and was easily absorbed by the market.

D-MARK—Slightly weaker within the European Monetary System recently, but showing a firmer tendency against the dollar following a sharp narrowing in Euro-currency interest rate differentials—The D-mark declined against most of its EMS partners at the Frankfurt fixing. The French franc rose to DM 42.98 per 100 francs from DM 42.94; the Belgian franc to DM 6.257 per 100 francs from DM 6.249; the Danish krone to DM 32.24 per 100 krone from DM 32.20; the Italian lira to DM 2.117 per 1,000 lira from DM 2.114; and the Dutch guilder to DM 91.31 per 100 guilders from DM 91.30. The Irish punt was unchanged at DM 3.7570. Outside the EMS the Swiss franc weakened to DM 1.0832 from DM 1.0864, but sterling improved to DM 4.1190 from DM 4.1110.

ITALIAN LIRA—Weakest member of EMS, after rising to the top of the system in February, and remaining firm for most of last year—The lira showed mixed changes at the Milan fixing, improving against the D-mark, Dutch guilder, Danish krone, and Irish punt, but losing ground to the French franc and the Belgian franc.

BELGIAN FRANC—Remaining firm within the EMS despite easing of interest rates by Belgian authorities—The Belgian franc gained ground against other members of the EMS at the Brussels fixing. The D-mark fell to BFr 15.982 from BFr 15.998; the French franc to BFr 6.8675 from BFr 6.87255; the Dutch guilder to BFr 14.5925 from BFr 14.616; the Irish punt to BFr 59.9975 from BFr 60.14; the Danish krone to BFr 5.1445 from BFr 5.1525; and the Italian lira to BFr 3.381 per 100 lira from BFr 3.384. The dollar rose to BFr 28.26 from BFr 28.24 and sterling to BFr 65.845 from BFr 65.795.

JAPANESE YEN—Energy and balance of payments problems reflected in sharp decline last year. More recently lower U.S. interest rates have helped the yen recover—The yen eased against the dollar in light Tokyo trading, with the U.S. currency closing at Y216.40, compared with Y215.85 on Wednesday, and Y216.10 at the opening. The market was dull, and the dollar moved within a narrow range, helped by its overnight strength in New York.

THE POUND SPOT AND FORWARD

June 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

Belgian rate is for convertible francs. Financial franc 66.25-66.35. Six-month forward dollar 6.30-6.20c pm. 12-month 9.35-9.20c pm.

THE DOLLAR SPOT AND FORWARD

June 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†, Ireland†, Canada, Nethlnd., Belgium, Denmark	[illegible]					
W. Ger.	1.7655-1.7740	1.7665-1.7675	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	48.85-49.10	48.95-49.05	28-43c dis	−8.69	70-120 dis	−7.75
Spain	70.70-70.25	70.15-70.25	55-70c dis	−10.68	165-190dis	−10.11
Italy	835.90-837.00	835.90-836.20	6-7lire dis	−9.33	20-21 dis	−9.81
Norway	4.8555-4.8815	4.8600-4.8615	0.35ore pm-0.15dis	0.25	0.30-0.80dis	−0.45
France	4.1130-4.1190	4.1160-4.1180	1.10-1.20c dis	−3.35	3.10-3.30dis	−3.11
Sweden	4.1665-4.1730	4.1670-4.1685	1.95-2.05ore dis	−5.54	5.50-5.65dis	−5.35
Japan	216.10-216.90	216.25-216.35	0.65-0.80y dis	−4.02	1.05-1.20dis	−2.08
Austria	12.59-12.60¼	12.59-12.60	1.90-2.50gro dis	−2.10	3.50-6.25dis	−1.39
Switz.	1.6250-1.6380	1.6260-1.6270	0.54-0.47c pm	3.72	1.60-1.53 pm	3.85

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

June 19	Bank of England Index	Morgan Guaranty Changes%
Sterling	73.5	−32.3
U.S. dollar	83.4	−10.3
Canadian dollar	81.7	−16.0
Austrian schilling	156.1	+24.0
Belgian franc	115.9	+14.3
Danish kroner	107.3	−4.2
Deutsche mark	155.4	+44.4
Swiss franc	197.9	+80.2
Guilder	125.6	+19.7
French franc	101.5	−5.8
Lira	53.2	−51.1
Yen	131.2	+29.5

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

CURRENCY RATES

June 18	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	17	0.567446	0.611530
U.S. $	11	1.32832	1.42456
Canadian $	11.29	1.52001	1.63953
Austria Sch.	6¾	16.6097	17.8996
Belgian F.	14	37.3423	40.2224
Danish K.	13	7.25507	7.80374
D'Mark	7½	2.33294	2.52321
Guilder	10	2.55472	2.75382
French Fr.	9½	5.43143	5.84995
Lira	15	1102.81	1188.08
Yen	9	285.488	306.879
Norwgn. Kr.	9	6.41524	6.90911
Spanish Pts.	8	92.5822	99.8117
Swedish Kr.	10	5.50125	5.92332
Swiss Fr.	3	2.14837	2.31662

OTHER CURRENCIES

June 19	£	$		£ Note Rates
Argentina Peso	4274-4294	1840-1847	Austria	29.10-29.40
Australia Dollar	2.0140-2.0180	0.8645-0.8650	Belgium	65.60-66.20
Brazil Cruzeiro	119.47-120.47	51.445-51.645	Denmark	12.70-12.80
Finland Markka	8.48-8.49	3.6445-3.6465	France	9.52-9.58
Greek Drachma	99.679-101.897	43.90-43.15	Germany	4.10-4.13½
Hong Kong Dollar	11.45-11.47	4.9185-4.9205	Italy	1910-1960
Iran Rial	n/a	n a	Japan	502-507
Kuwait Dinar(KD)	0.616-0.622	0.2567-0.2668	Netherlands	4.49-4.52½
Luxembourg Frc.	65.95-66.05	28.25-28.27	Norway	11.25-11.35
Malaysia Dollar	4.9800-4.9900	2.1390-2.1410	Portugal	111-115
New Zealand Dlr.	2.3530-2.3560	1.0100-1.0110	Spain	157½-164½
Saudi Arab. Riyal	7.69-7.75	3.3290-3.3310	Sweden	9.65-9.75
Singapore Dollar	4.9250-4.9350	2.1160-2.1180	Switzerland	3.78-3.81
Sth. African Rand	1.8055-1.8065	0.7730-0.7735	United States	2.318-2.327
U.A.E. Dirham	8.56-8.62	3.7015-3.7035	Yugoslavia	62¼-65¼

Rate given for Argentina is free rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU June 19	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7897	40.1685	+0.95	+0.23	±1.53
Danish Krone	7.72336	7.80423	+1.05	+0.33	±1.64
German D-Mark	2.48208	2.51426	+1.30	+0.58	±1.125
French Franc	5.84700	5.85122	+0.07	−0.65	±1.3557
Dutch Guilder	2.74362	2.75311	+0.35	−0.37	±1.512
Irish Punt	0.668201	0.669441	+0.19	−0.53	±1.668
Italian Lira	1157.79	1187.86	+2.60	+2.39	±4.08

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

June 12	PoundSterling	U.S. Dollar	Deutschem'k	Japan'seYen	FrenchFranc	Swiss Franc	DutchGuild'	Italian Lira	Canada Dollar	Belgian Fran
Pound Sterling	1.	2.336	4.130	505.3	9.535	3.800	4.528	1953.	2.687	66.00
U.S. Dollar	0.428	1.	1.768	216.3	4.108	1.627	1.939	836.1	1.151	28.26
Deutschemark	0.242	0.565	1.	122.3	2.323	0.920	1.096	472.8	0.651	15.98
Japanese Yen 1,000	1.979	4.622	8.174	1000.	18.99	7.521	8.961	3865.	5.318	130.6
French Franc 10	1.042	2.434	4.304	526.6	10.	3.960	4.719	2035.	2.800	68.79
Swiss Franc	0.263	0.615	1.087	133.0	2.525	1.	1.191	513.9	0.707	17.37
Dutch Guilder	0.221	0.516	0.912	111.6	2.119	0.839	1.	431.3	0.593	14.58
Italian Lira, 1,000	0.512	1.196	2.115	258.7	4.914	1.946	2.319	1000.	1.375	33.80
Canadian Dollar	0.372	0.862	1.537	188.0	3.571	1.414	1.685	726.7	1.	24.56
Belgian Franc 100	1.515	3.539	6.258	765.5	14.54	5.758	6.860	2959.	4.071	100.

FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 19)

3 month U.S. dollars		6 month U.S. dollars	
bid 9 1/4	offer 9 3/8	bid 9 5/16	offer 9 7/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris, and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market Closing Rates)

June 19	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	17-19¾	[illegible]	13¾-14
Month	17-17¼	9 9¼	12½-12⅞	10⅝-10⅞	[illegible]	9¼-9⅜	[illegible]	17½-19	9-9⅛	13-13⅛
Three months	[illegible]	9⅛-9⅜	11⅝-11¾	10⅜-10⅝	[illegible]	9⅛-9¼	[illegible]	18-19	[illegible]	11⅝-11¾
Six months	[illegible]	9¼-9½	10½-10⅞	10¼-10½	5⅝-5½	8⅝-8¾	[illegible]	17¾-18¾	[illegible]	10⅞-10½
One Year	13¾-14	8¼-9½	10¼-10⅝	10⅛ 10⅜	[illegible]	[illegible]	[illegible]	17-18½	9⅛-9¼	[illegible]

The following nominal rates were quoted for London dollar certificates of deposit: one-month 8.75-8.85 per cent; three-months 8.75-8.85 per cent; six-months 8.70-8.80 per cent; one year 8.75-8.85 per cent.

Long-term Eurodollar two years 10-10⅛ per cent; three years 10¼-10½ per cent; four years 10½-10⅝ per cent; five years 10½-10¾ per cent; nominal closing rate. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen, others two-days' notice. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

Paris rates steady

Interest rates showed little change in Paris yesterday, with only call money moving to any noticeable extent. Short-term money was quoted at 12⅝ per cent down from Wednesday's figure of 12¾ per cent. In order to retain stable market conditions, the Bank of France announced that it is willing to buy first category paper from the market for value on June 23. Banks wishing to obtain funds will offer bills maturing between June 26—29, July 5—10 and July 11—15, and the authorities are expected to announce how much they will buy and the rate, at noon today. Last time the Bank bought first category, the rate was 12¼ per cent, and dealers are not expecting any change in the official intervention rate.

In Frankfurt money rates were slightly easier where changed, with call money slipping to 9.95 per cent from 10.07½ per cent and six-month money lower at 9.42½ per cent compared with 9.50 per cent on Wednesday.

In Amsterdam yesterday's tender for 10⅜ per cent 2½-year Treasury bills attracted bids of Fl 790.2m, with all bids accepted in full. Proceeds so far this year total Fl 4.49bn compared with Fl 2.82bn to this time last year, and Fl 3.54bn in 1979. In the inter-bank market short term money was unchanged at 11½ per cent, and period rates were also static.

UK MONEY MARKET

Heavy shortage

Bank of England Minimum Lending Rate 17 per cent (since November 15, 1979)

Day to day credit was in short supply in the London money market yesterday, and the authorities gave assistance on an exceptionally large scale. This comprised small purchases of Treasury bills both from discount houses and banks, and a large number of eligible bank bills for resale to the market at a fixed future date. The help was completed with very large loans to nine or 10 houses at MLR, for repayment today. The shortage was caused mainly by the repayment of Tuesday's extremely large lending, and there was also a moderate net take up of Treasury bills to finance. On the other hand there was a small decrease in the note circulation.

In the interbank market overnight loans opened at 17¼-17½ per cent and rose on the forecast to 17¾-18 per cent where rates stayed for most of the morning. Soon after lunch money was commanding between 20 per cent and 25 per cent and closing balances were taken at 18-20 per cent.

GOLD

Slight fall

Gold fell $4 in very quiet trading in the London bullion market, to close at $599-602. It opened at $597-600, and was fixed at $598.00 in the morning and $599.00 in the afternoon. The metal touched a low point of $596½-598½ around lunch time, and rose to a peak of $600-602 in the afternoon when New York began trading.

In Paris the 12½-kilo gold bar was fixed at FFr 79,950 per kilo ($604.07 per ounce) in the afternoon, compared with FFr 79,925 ($603.81) in the morning, and FFr 79,950 ($605.40) Wednesday afternoon.

In Frankfurt the 12½-kilo bar was fixed at DM 34,130 per kilo ($600.00 per ounce), compared with DM 34,185 ($602.98) previously, and closed at $597-600 per ounce, compared with $605-608 on Wednesday.

	June 19		June 18	
Gold Bullion (fine ounce)				
Close	$599-602	(£257-258½)	$603-605	(£258½-260)
Opening	$597-600	(£256-257½)	$597-600	(£255¾-257¼)
Morning fixing	$598	(£257.370)	$602.50	(£258.163)
Afternoon fixing	$599	(£257.247)	$602.50	(£258.528)
Gold Coins				
Krugerrand	$617½-620½	(£265-267)	$624-627	(£267½-269½)
Mapleleaf	$617-620	(£264½-266½)	$624-627	(£267½-269½)
New Sovereigns	$151¾-152¾	(£65-66)	$153-154	(£65½-66½)
King Sovs	$178-180	(£76-77)	$179-181	(£76½-77½)
Victoria Sovs	$178-180	(£76-77)	$179-181	(£76½-77½)
French 20s	$154-157		$156½-159½	
50 pesos Mexico	$741-746		$744-749	
100 Cor. Austria	$586-591		$592-597	
$20 Eagles	$697-700		$698-701	
$10 Eagles	—		—	
$5 Eagles	—		—	

LONDON MONEY RATES

June 19 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ◆	Eligible Bank Bills ◆	Fine Trade Bills ◆
Over night	—	17¼-25	—	—	—	—	16¾-17	—	—	—
2 days notice	—	—	17-17⅜	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	17½-17¾	17⅛-17⅜	—	—	—	—	—	—	—
One month	17¼-17	17⅛-17¼	17-17¼	18-18⅜	18¼	17⅞-18	16¾-17	—	—	—
Two months	17-16⅞	16½-17	—	17¼-17⅝	17⅝	17⅞	16¼	[illegible]	17⅛	17⅞
Three months	16⅝-16½	16½-16⅝	16⅝-16½	16¾-17⅛	[illegible]	—	16⅜	15¾	[illegible]	[illegible]
Six months	15¼-15⅛	15⅛-15¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Local authority and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rate nominally three years 13¾ per cent; four years 13¾ per cent; five years 13½-13¾ per cent. ◆Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 15⅝ per cent; four-month trade bills 16⅝ per cent.

Approximate selling rate for one-month Treasury bills 15⅝-15¾ per cent; two-months 15½-15⅝ per cent; three-months 15⅝ per cent. Approximate selling rate for one-month bank bills 17 per cent; two-months 16¾ per cent; and three-months 16⅝ per cent; one-month trade bills 17¾ per cent; two-months 17½ per cent; three-months 16⅝ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 17½ per cent from June 1, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 15 per cent. Clearing Bank Rates for lending 17 per cent. Treasury Bills: Average tender rates of discount 15.8340 per cent.

MONEY RATES

NEW YORK	
Prime Rate	12-12½
Fed. Funds	9¼-9½
Treasury Bills (13-week)	6.97
Treasury Bills (26-week)	7.00
GERMANY	
Discount Rate	7.5
Overnight Rate	9.95
One month	9.325
Three months	10.025
Six months	9.425
FRANCE	
Discount Rate	9.5
Overnight Rate	12.75
One month	12.4375
Three months	12.4375
Six months	12.4375
JAPAN	
Discount Rate	9.0
Call (Unconditional)	12.4375
Bills Discount (three-month)	—

ENERGY REVIEW: NIGERIA

Oil corporation in troubled waters

BY MARK WEBSTER

THE NIGERIAN Government is under increasing pressure to speed up reforms of the giant state oil company, the Nigerian National Petroleum Corporation, following allegations that large sums of money cannot be accounted for.

The corporation has been hammered by Press and public since reports that lax accounting had resulted in the disappearance of Naira 2.8bn (£2.25bn) worth of oil revenues — a charge which most oil experts treat with a great deal of scepticism.

However, the public outcry is likely to force the Government to hasten the passage of a Bill already before Parliament which proposes the creation of five subsidiaries within the corporation and the tightening up of financial controls.

Approval of the legislation would be the first real indication of what the new civilian regime of President Shehu Shagari intends to do in the long term with an industry which provides more than 90 per cent of export earnings, 70 per cent of federal government receipts and accounts for 30 per cent of GDP.

Until now, his eight-month-old administration has not said what its medium- and long-term plans are for oil. Instead, it has pursued many of the policies taken in the ad hoc manner of the former military regime and has tried to get the greatest possible revenue from oil without straining production capacity or upsetting its markets.

The previous Military Government had itself proposed to reform the corporation but never got around to publishing the decree it had drawn up. When the NNPC was created in 1977 after the merger of the Nigerian National Oil Corporation and the Ministry of Petroleum Resources the military announced that it would be restructured on the lines now proposed by the civilians.

Ashley Ashwood

President Shehu Shagari may become chairman of Nigeria's National Petroleum Corporation

But while the military regime delayed its reforms, the NNPC grew rapidly in influence. The Government increased its equity stake in the oil companies from 40 to 55 per cent in 1977 and then finally to 60 per cent in July last year. The NNPC is thus entitled to handle a much larger volume of crude oil.

The increase in the Government's equity stake means that the NNPC now controls around 1.5m b/d out of a total current production of 2.1m b/d. But as the corporation's influence has increased, so have accusations of inefficiency and corruption.

The oil scandal has brought all that to a head. However much or little truth there is in the allegations, the President has appointed a judicial inquiry into the affair and until the report is published he has suspended Mr. A. K. Hart, the newly-appointed chairman, Mr. Festus Marinho, the managing director, the board of directors and most of the divisional heads.

Whatever the outcome of the inquiry, observers say the President has clearly seized the opportunity to have a thorough clean-out of top management which, they believe, will be followed up with the restructuring proposals now before Parliament. When the management changes are completed, it is likely that the ethnic balance of the NNPC, dominated by Yorubas at present, will change in favour of the Ibos and other groups from outside the western part of the country.

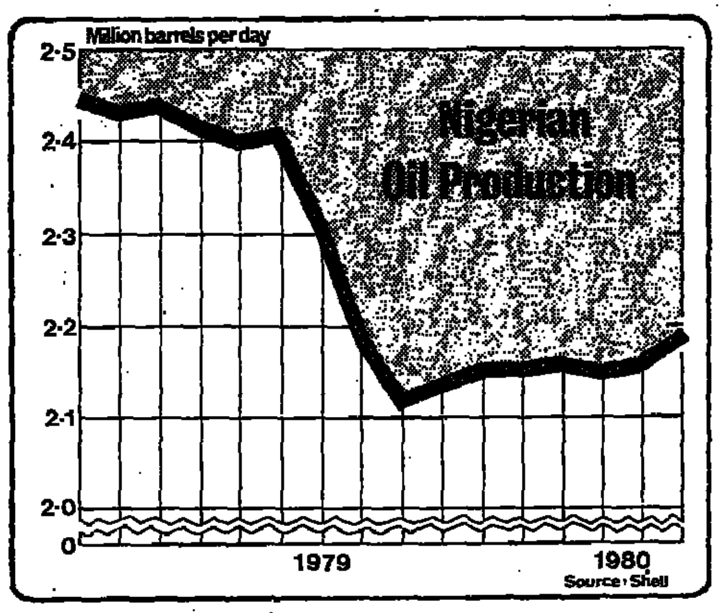
With the new management, the way will then be open for the Government to carry out the restructuring. The main thrust of the reforms is to divide the work of the NNPC among five subsidiaries which will deal with exploration and exploitation of petroleum; refining; petrochemicals; gas, especially the giant liquefied natural gas project; and marine transportation.

The responsibility of the corporation is defined as exploration, marketing, processing and research while all policy decisions on contracts, pricing and production will be taken by the Cabinet.

The President will have the same power as now over the NNPC and will be able to appoint the chairman — who must be a Government Minister, the vice-chairman, managing director and the board.

Because of the importance of the oil sector to the Nigerian economy it is thought the President will himself become the chairman and appoint a full-time vice-chairman to be the chief executive of the corporation.

To improve financial controls, the Bill stipulates that no contract for more than Naira 5m (or any other figure fixed by the President) can be signed without presidential approval.



The guidelines of the next five year development plan, which comes into force on January 1, 1981, are based on oil production averaging 2.2m b/d for the whole of 1980, rising to 2.48m b/d in 1981/82 and falling to 2.37m b/d in 1984/85. But the Government will want to look at its domestic oil requirements for the future and will have to weigh the need for development finance against its desire to conserve fuel supplies.

On pricing, Nigeria has said it will follow world market trends, waiting for others to make the running. It has also made clear that its level of production will remain at around 2.1m b/d unless there is a dramatic change in the oil market.

But the administration does not have much leeway on the production front. Its first budget includes a substantial Naira 1.16bn deficit (£934m) which the Government has said it will only finance through increased oil revenues. It is apparently hoping that if world production has to be cut, other producers will do so first.

The military regime's decisions which the civilian administration has inherited cover a number of important areas. The new Government has indicated, for example, that in line with the thinking of the previous regime it intends to increase the volume of oil sold to third-party customers; to move ahead with the construction of a liquefied natural gas plant; to become self-sufficient in oil refining capacity and to develop petrol-based industries such as a downstream petrochemicals complex.

Of all these policies, the one which has affected the outside world most is the changing relationship between Nigeria and the big operating companies — Shell, Gulf, Mobil, Agip, Phillips, Elf and Texaco. The Government has steadily cut the amount of oil it has been buying back from the NNPC in addition to its equity entitlement so as to lessen Nigeria's dependence on the big companies and to get the highest price it can for its oil.

Of greater potential significance in the longer term, however, is the Bonny liquefied natural gas (LNG) plant which has made considerable progress recently. The new Government hopes that export earnings from LNG will give it more latitude in oil sales so that in the 1990s oil production could be reduced to conserve reserves without damaging the economy.

Eight West European gas companies have signed an agreement with Nigeria to purchase half the plant's output of 16bn cubic metres a year. But before the $14bn project can go ahead it needs the agreement of more buyers either in the U.S. or in Europe for long-term supply contracts of around 20 years. In the meantime, the Government is preparing the site, considering tenders for construction and harnessing the associated gas which at present is being flared.

The other decisions taken by the army regime which the new Government is pursuing in the oil sector are the construction of a fourth oil refinery, which should make the country self-sufficient in refinery capacity, and the inclusion in the next development plan of a giant petro-chemicals complex for domestic and export consumption.

Oil industry experts do not expect any departure from those commitments which they say will significantly alter the profile of Nigeria's oil sector during the next decade.

BASE LENDING RATES

Bank	Rate
A.B.N. Bank	17 %
Allied Irish Bank	17 %
American Express Bk.	17 %
Amro Bank	17 %
Henry Ansbacher	17 %
A P Bank Ltd.	17 %
■ Arbuthnot Latham	17 %
Associates Cap. Corp.	17 %
Banco de Bilbao	17 %
Bank of Credit & Cmce.	17 %
Bank of Cyprus	17 %
Bank of N.S.W.	17 %
Banque Belge Ltd.	17 %
Banque du Rhone et de la Tamise S.A.	17½%
Barclays Bank	17 %
Bremar Holdings Ltd.	18 %
Brit. Bank of Mid. East	17 %
■ Brown Shipley	17 %
Canada Perm't Trust	18 %
Cayzer Ltd.	17 %
Cedar Holdings	17 %
■ Charterhouse Japhet	17 %
Choulartons	17 %
C. E. Coates	17 %
Consolidated Credits	17 %
Co-operative Bank	*17 %
Corinthian Secs.	17 %
The Cyprus Popular Bk.	17 %
Duncan Lawrie	17 %
Eagil Trust	17 %
E. T. Trust Limited	17 %
First Nat. Fin. Corp.	19½%
First Nat. Secs. Ltd.	19 %
Robert Fraser	17 %
Antony Gibbs	17 %
Greyhound Guaranty	17 %
Grindlays Bank	‡17 %
■ Guinness Mahon	17 %
■ Hambros Bank	17 %
■ Hill Samuel	§17 %
C. Hoare & Co.	†17 %
Hongkong & Shanghai	17 %
Industrial Bk. of Scot.	17½%
Keyser Ullmann	17 %
Knowsley & Co. Ltd.	19 %
Langris Trust Ltd.	17 %
Lloyds Bank	17 %
Edward Manson & Co.	18 %
Midland Bank	17 %
■ Samuel Montagu	17 %
■ Morgan Grenfell	17 %
National Westminster	17 %
Norwich General Trust	17 %
P. S. Refson & Co.	17 %
Rossminster	17 %
Ryl. Bk. Canada (Ldn.)	17 %
Schlesinger Limited	17 %
E. S. Schwab	17 %
Security Trust Co. Ltd.	18 %
Standard Chartered	17 %
Trade Dev. Bank	17 %
Trustee Savings Bank	17 %
Twentieth Century Bk.	17 %
United Bank of Kuwait	17 %
Whiteaway Laidlaw	17½%
Williams & Glyn's	17 %
Wintrust Secs. Ltd.	17 %
Yorkshire Bank	17 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 15%, 1-month deposits 15¼%.
† 7-day deposits on sums of £10,000 and under 15%, up to £25,000 15¼% and over £25,000 15½%.
‡ Call deposits over £1,000 15%.
§ Demand deposits 15%.

THE PROPERTY MARKET

BY MICHAEL CASSELL

'No boom beyond recession'—report

A CONTROVERSIAL assessment of the likely fate of the property industry over the next ten years and a timely reminder of its past misdemeanours are contained in this week's report from the Property Advisory Group.

The Group, set up three years ago to advise the Department of the Environment, draws its twelve-man panel from the private property sector as well as the local authorities and what it had to say sent temporary jitters through the market on Wednesday.

Those anticipating another boom beyond the recession will find little encouragement in the report, the tone of which contrasts somewhat with the seeminly perpetual enthusiasm displayed by some interested parties. But the document, which should be required reading for anyone involved in property, does emphasise that a combination of institutional dominance and developers' caution has given the property sector an underlying strength which should provide a stabilising effect as times get tougher.

Although the Group believes that the development industry now has a fuller appreciation of the risks involved in its business and that short-term speculators will find it hard to upset the marketplace, it nevertheless sounds a worthwhile note of caution. "There is a danger that memories will fade quickly and it would be well if all engaged in the development industry, and those who provide their finance, impressed upon all new entrants to the business the lessons of the disastrous period in the early 1970s.

The report predicts that the recession will inevitably reduce demand for new property while supply will be hit as long as costs run well ahead of growth in rental values. Land values would then show little growth and could even fall, it adds.

Slack demand

The drop in development activity from levels which most observers would accept as being historically modest will, according to the Group, particularly effect large schemes. Smaller scale developments and modernisation projects should remain attractive and will become increasingly fundable and marketable.

But in a passage, which will take some swallowing in certain boardrooms and analysts' offices, the report goes on to say that when the economy eventually emerges from the troublesome times ahead, the property sector can still expect comparatively slack demand—especially for offices—and weak rental growth. General development activity is expected to be "much reduced" and the emphasis will switch still more to refurbishment.

While some of these predictions will gain fairly wide support, the overall view of a property industry failing to make any significant progress after the recession will be widely contested. The popular view is that the present comparatively low level of development will be reflected in restricted supply when the slump is over and that pressure on space will force rents sharply upwards, so encouraging a fresh spate of development.

The report implies that something more than a cyclical downturn in the property market is on the way, with the prospect of changes in the basic pattern and type of demand for space.

It says that with large numbers of rent reviews on the horizon and growing attention being paid to technological changes affecting employment, office occupiers may rethink their needs. But the report does not spell out the extent to which such a trend could alter demand or development patterns, other than to say there could be "relatively little need" for fresh office space.

More research

The Group clearly devoted some considerable time to the way in which the industry monitors trends and researches its marketplace. It points out that in the past the cyclical tendency of the sector has been exacerbated because it consists of numerous developers and investors in competition with each other but with no common picture of the size of the market for new development or of the schemes planned or under way.

Accepting that both property companies and financial institutions now receive and use more statistical information on which to base the decisions, the document emphasises that as the supply of, and demand for, property come more into balance during the 1980s, there will be a growing need for information, monitoring and research about tenants' needs and the required level of development activity. The industry, it claims, should be doing more in this respect.

In a report which was also asked to consider the role of local authorities in the development industry, there are some harsh words on the concept of planning gain and the growing tendency of planning authorities "to extract benefits from developers in return for planning permission in circumstances of doubtful legality."

It adds: "Developers tend to accept the terms imposed upon them rather than incur costly delays in attempting to obtain a planning consent free of such terms or appealing against a refusal of consent. There is no hard and fast legal test which will readily indicate whether or not an authority is acting properly within its powers and Ministerial guidance on the exercise of these powers cannot be exhaustive."

A flexible working relationship between willing partners should not, the authors say, be discouraged, but planning authorities need to keep their enthusiasm for planning gain arrangements within strict bounds, or the financial burdens involved will inhibit development schemes and bring the present system into disrepute.

Post Office for Holborn

TOP HOLBORN office rents appear to be peaking at around the £16 a sq ft mark on the evidence of an impending deal with the Post Office, which is understood to have agreed to take 40,000 sq ft of offices at 203 High Holborn.

This follows the recent letitng, at the same rental, of 83,000 sq ft of offices at Enterprise House, High Holborn, to Kodak, which were represented by Teacher Marks.

Under the terms of the latest deal the Post Office is understood to have agreed to take a lease of more than 25 years at 203 High Holborn which includes around 5,000 sq ft of retail space.

Negotiations have been with Harry Hyams' Oldham Estate which is thought to own a long lease on the building. The Post Office has agreed a rent of £16 a sq ft for the offices but a rental of approximately half this figure is understood to have been agreed for the retail space.

Agents Herring Son and Daw and D. E. and J. Levy represented Oldham Estate in negotiations with the Post Office which at the end of 1978 took 159,000 sq ft of offices on the site of the former Gamages store in Holborn for a rental of £15 a sq ft, then the highest rent achieved in the area.

ANDREW TAYLOR

PSA quizzed over Ronald Lyon sale

NOT EVERYONE, it seems is as happy as Mr. Ronald Lyon about his recent £5.8m purchase of the so-called Effra site on London's south bank close to Vauxhall Bridge.

Mr. Lyon, acting on behalf of Artoc Bank and Trust, a Bahamas-based bank controlled by Middle East investors, made a successful tender bid for the 6-acre site in February and plans to act as project manager for a 350,000 sq ft mixed development likely to cost around £75m.

The site was previously owned by the Property Services Agency, the government's estate managers, and its ownership and subsequent sale of the land came in for some close scrutiny at a session this week of the House of Commons' Public Accounts Committee.

In the spotlight was Sir Robert Cox, permanent secretary to the PSA, who was asked by Mr. Joel Barnett, chairman of the Committee, to spell out the history of the site now that a sale had been completed.

Sir Robert said that the PSA acquired the riverside site in 1967 for £1¾m and then proceeded to spend another £100,000 on embankment works. Interest charges during the twelve year period of ownership amounted to over £2m.

In addition, the PSA spent no less than £2m between 1968 and 1975 on drawing up designs for a huge office complex, equal in size to the Ministry of Defence buildings and the Department of the Environment complex combined and capable of housing up to 7,000 staff. Half the £2m went on consultants fees and staff costs.

But when it became clear that there was no prospect of funds being made available to go ahead with its plans likely to cost up to £90m or even £100m at current prices, the decision to sell was taken.

The subsequent sale raised £5.8m but some GLC land and other development rights were involved so the PSA share amounted to just over £4¼m. Mr. Barnett and his Committee colleagues were less than impressed about the near-£2m gap between what the PSA spent on the Effra site and what it finally got back and made it clear that their sympathies lay with the taxpayer.

Mr. Barnett dug to see if anything coud be salvaged to help offset the loss. Could the design plans be used elsewhere or where they wholly wasted? There was, Sir Robert replied, no prospect of using them anywhere else as the Effra plans were somewhat exceptional.

Commenting on one of the reasons for the PSA disposal—the need to reduce public expenditure—Mr. Barnett sought to establish that the Agency did not ntend to take space in whatever scheme Mr. Lyon and his colleagues now develop. Th were no such intentions at the present time, Sir Robert added. Mr. Lyon will apparently have to look elsewhere for his tenants.

IN BRIEF

THE WHOLE of the Wates Developments' 32,000 sq ft office building now under construction in Milk Street, EC2, has been pre-let to the State Bank of India. The Bank is taking an overriding lease on the building for 23 years subject to rent reviews. A rental of £20 a sq ft overall was achieved and the complex will be completed in August. Jones Lang Wootton acted for the developers and Debenham Tewson and Chinnocks represented the Bank.

● Equitable Life Assurance Society has paid £425,000 for five industrial and warehouse units at Strood, Kent, on a 999-year lease at a peppercorn rental from the developers, New Estates. Total rent roll is £32,550 a year. Gooch and Wagstaff acted for Equitable Life and Richard Ellis represented New Estates. Peter Taylor acted in the letting of the units.

● Carreras Pension Fund is funding a £2m refurbishment scheme involving 13,500 sq ft of space in St. Bride Street and Farringdon Street, City. The space will be occupied by accountants Binder Hamlyn who already have premises in St. Bride Street. Langley Taylor acted for Binder Hamlyn and the James Abbot Partnership represented Carreras.

● British Rail Property Board is to fund its first industrial scheme in the West Midlands, involving the first phase of a 250,000 sq ft development on the 12 acre site of the former Windsor Street goods depot in Aston, Birmingham. Phase One will provide 56,000 sq ft in seven units.

INTERNATIONAL PROPERTY

WORLD STOCK MARKETS

Dow off 2.99 at mid-session

THERE WAS further profit taking on Wall Street as investors cashed in on the gains of the long spring rally that arose from sharp declines in interest rates.

Interest rates rose in the credit market at mid-day yesterday reversing Wednesday's trend. Commerce Department Economist Mr. William Cox said the second quarter decline in Gross National Product would be about 8 per cent on an annual rate.

The Dow Jones Industrial Average was off 2.99 to 878.92 at 1 pm yesterday. The NYSE All Common Index was off 0.32 at 66.04, also at mid-session.

Declines led advances seven to six on volume of 19m shares (29.4m).

Takeover speculation produced heavy activity in several issues, while precious metal shares were aided by higher bullion prices.

City Investing lost ⅝ to $28⅜, but it had advanced in heavy trading in the previous two sessions. The company said it did not know who was buying the stock. Speculation centred on Tamco Enterprises which in late May bid $30 a share for City Investing's assets.

Houston Oil and Minerals, the American Exchange volume leader, was unchanged at $29½. It again said it knew of no reason for the activity, although it is understood more has been takeover speculation.

Active Enserch gained ⅞ to $34⅞. It found Oil and Gas in New Mexico. North American Royalties, which holds a 25 per cent stake in the find gained ⅞ to $28¼ on the American Exchange.

RCA eased ¾ to $22½ on Wednesday directors dismissed RCA's president.

Cessna Air rose 1½ to $17½ after a late start. It could not explain the rise. It also said it would lay off 2,100 workers for two weeks at its fluid power plant in Kansas.

Wickes rose ⅝ to $14⅝ and Gamble Skogmo 1⅝ to $39⅝. They signed a final merger agreement.

Closing prices for North America were not available for this edition.

THE AMERICAN SE Market Value Index was off 0.87 to 288.10 at 1 pm on volume of 3.6m shares (3.15m). GIT Industries added ⅛ to $2⅞. On Wednesday its midwest rubber unite acquired 5.2 per cent of Penn Dixie Common for $1.33m. Adobe Oil gained 3⅞ to $42¼.

Canada

Markets were mixed in active trading.

The Toronto Composite Index slipped 0.3 to 2,044.2 with gains outnumbering losses 176 to 146. Volume eased to 2.4m shares from 2.7m at midday Wednesday.

Oil and Gas issues traded in irregular fashion. BP Canada rose 1½ to C$46, Shell Canada ¼ to C$34½ and Imperial Oil A ¼ to C$80¼, but Dome Petroleum eased ⅛ to C$80¾ and Gulf Canada to C$32⅞. Husky Oil, active on 100,980 shares, was unchanged at C$17½.

Gold issues were also mixed. Camflo Mines at C$22¼ and Kerr Addison at C$16 each lost ⅛. Campbell Red Lake advanced one point to C$50¼. Dome Mines ⅞ to 94 and Sigma Mines ¼ to 32¾.

Among integrated mines, Falconbridge Nickel dropped 1½ to 101 and Alcan Aluminium ⅝ to C$32½ while Noranda Mines at C$24⅞ and Inco at C$25¼ each slipped ⅛.

Tokyo

Share prices closed lower, led by Oils and speculatives, with investors generally reserved ahead of tomorrow's market holiday and the Japanese General Election on Sunday.

The Nikkei Dow Jones average declined 33.07 to close at 6,791.88 on volume of 270m shares. The Tokyo Stock Exchange index closed at 467.88, down 0.79.

Nippon Oil fell Y190 to this year's low of 1,750, Teikoku Oil lost Y80 to Y1,160, Arabian Oil Y50 to Y2,960 and Maruzen Oil Y12 to Y399.

Speculatives which had rallied recently also retreated with Miyaji Iron down Y10 to Y2,090, Nippon Signal Y34 to Y500, and Ikegai Iron Y22 to Y365.

Non-ferrous Metals, Big Capitals and Machines also eased on sporadic liquidations, with Hitachi down Y2 to Y268, Toshiba Y2 to Y195, Dowa Mining Y10 to Y520 and Sumitomo Metal Industries Y2 to Y156.

Constructions and some export-orientated issues firmed. Sony put on Y20 to Y2,210, Ricoh Y18 to Y567, Matsushita Communication Y70 to Y1,780, and Honda Motor Y21 to Y589.

The Second Market closed higher. Volume 7m shares.

Hong Kong

Stocks closed sharply lower after a flurry of heavy profit-taking yesterday afternoon, eliminating morning gains on speculation about possible mergers between local companies.

The Hang Seng Index closed 15.30 down at 967.94, after advancing to 991.64 yesterday morning.

Among market leaders Hong Kong Bank fell 40 cents to HK$15.30, Cheung Kong 50 to HK$14, Hong Kong Land 30 to HK$12.00, Jardine Matheson 30 to HK$15.30, Swire Pacific A 10 to HK$7.90 while HK Wharf gained HK$3 to HK$77.

Hong Kong Electric eased 10 cents to HK$6.05, Hutchison Whampoa 20 to HK$8.60, China Light 70 to HK$20.80, and Hang Lung 40 to HK$10.00.

Elsewhere, Hang Seng Bank lost HK$1 to HK$117, Hong Kong Telephone 90 cents to HK$24.50, Hopewell 10 to HK$11.20, and New World 17 to HK$4.15.

Tai Cheung, which announced its increased final dividend yesterday, fell 22.5 cents to HK$3.525 and Sun Hung Kai Properties weakened 10 to HK$6.15.

Australia

A firmer energy sector and demand for speculative stocks featured in mixed trading.

Coal stocks proved one of the few bright spots among leading Mines while Gas and Oil stocks continued to recover from last week's sell-off.

The energy-based market also saw a return to favour of the Shale Oil stocks with Greenvale adding 23 cents to close at A$1.40 and Esperance 10 to A$2.45.

Utah gained 5 cents to A$4.75, Oakbridge 15 to A$4.25 and Meekatharra 10 to A$4.75 in anticipation of an announcement of a new coal venture in New South Wales.

The partners in North Queensland's Bimurra gold project continued to benefit from Esso's decision to join the venture and Samson rose advanced 20 to A$1.90, Samantha 15 to A$2.80 and Buka 5 to 60 cents.

Industrials were listless with the exception of BHP which gained 25 to A$14.80.

Paris

Share prices were easier in very quiet trading.

Engineering, Construction, Electricals and Chemicals weakened while Banking and Insurance, Real Estate and Investment Portfolios, Foods, Metals and Oils were mixed.

CIT-Alcatel which announced lower 1979 profits recovered from lows of around FFr 935 to FFr 943, but was still well down from the previous close of FFr 960.

News that Continental Uniroyal will take a majority holding in Kleber Colombes offering share came too late to affect Kleber shares which were unchanged at FFr 58.90.

Foreign shares were generally firmer except for Gold Mines which weakened and Dutch stocks which were mixed.

Johannesburg

Gold shares closed mixed to easier as some issues recovered earlier falls in line with the small recovery in Golds.

Trading was quiet and heavyweights lost up to R1.25 after earlier bigger falls. East Rand gold gained 12 cents to R9.1 ahead of results. Financials were mixed to higher but De Beers lost 10 to R10.50.

Indices

NEW YORK —DOW JONES

	June 18	June 17	June 16	June 13	June 12	June 11	1980 High	1980 Low	Since Cmpil't'n High	Since Cmpil't'n Low
● Industr'ls	881.91	879.27	877.75	876.37	872.61	872.70	903.84 (13/2)	759.13 (21/4)	1051.70 (11/73)	41.22 (2/7/32)
H'me B'nds	76.48	76.22	76.68	74.81	74.15	73.97	74.81 (13/6)	65.67 (28/3)	—	—
Transport	276.39	277.31	277.62	277.73	277.10	276.24	305.80 (8/2)	253.69 (27/3)	305.80 (8/2/80)	12.23 (8/7/32)
Utilities	115.37	115.38	114.46	113.77	113.00	112.96	113.77 (13/6)	96.04 (27/3)	163.32 (20/4/69)	10.52 (28/4/42)
Trading Vol 000's †	41,960	41,990	36,190	41,830	47,300	48,800	—	—	—	—

● Day's high 885.32 low 870.14

	June 13	June 6	May 30	Year ago (approx)
Ind. div. yield %	6.02	6.19	6.19	6.01

STANDARD AND POORS

	June 18	June 17	June 16	June 13	June 12	June 11	1980 High	1980 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	130.73	130.43	130.51	130.17	129.96	130.68	134.47 (13/2)	111.09 (27/3)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	116.26	116.03	116.09	115.81	115.52	116.02	118.44 (13/2)	98.22 (13/3)	125.85 (11/1/73)	4.40 (1/6/32)

	June 11	June 4	May 28	Year ago (approx)
Ind. div. yield %	5.12	5.28	5.30	5.24
Ind. P/E Ratio	7.75	7.52	7.77	7.90
Long Gov. Bond Yield	9.75	10.11	10.15	8.81

N.Y.S.E. ALL COMMON

June 18	June 17	June 16	June 13	1980 High	1980 Low
66.36	66.25	66.26	66.13	67.77 (13/2)	55.30 (27/3)

Rises and Falls	June 18	June 17	June 16
Issues Traded	1,910	1,927	1,907
Rises	704	840	800
Falls	778	668	720
Unchanged	428	419	387
New Highs	48	62	—
New Lows	3	3	—

MONTREAL

	June 18	June 17	June 16	June 13	1980 High	1980 Low
Industrial	373.94	374.35	372.02	373.45	425.88 (29/2)	323.21 (27/3)
Combined	346.47	349.00	347.93	348.94	378.90 (29/2)	296.90 (27/3)
TORONTO Composite	2044.5	2049.20	2041.30	2051.1	2192.6 (29/2)	1702.5 (27/3)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Texaco	571,200	37⅛	− ½
City Investment	563,600	29	+1⅛
IBM	492,900	55½	− ⅜
Kerr McGee	463,500	74⅞	−1⅝
South Royl.	449,600	99	+4¾
Citicorp	445,800	22¼	− ¼
Hous Fin.	410,200	18	—
East Kodak	333,100	58	+ ¼
Exxon	328,400	68⅞	+1⅛
Allied Str.	320,700	22⅞	− ⅛

	June 19	June 18	June 17	June 16	1980 High	1980 Low
AUSTRALIA Sydney All Ord. (1936/39)	871.68	869.51	879.35	(c)	947.47 (14/2)	769.00 (2/1)
Metals & Minls (1936/39)	5562.64	5565.18	5457.04	(c)	6680.95 (14/2)	4581.26 (28/5)
AUSTRIA Credit Aktien (2/1/62)	67.35	67.62	67.46	67.30	69.40 (7/1)	67.05 (11/6)
BELGIUM Belgian SE (31/12/63)	96.27	96.39	96.50	96.69	105.76 (11/2)	90.14 (31/3)
DENMARK Copenhagen SE (1.1/73)	78.97	79.18	79.13	79.16	86.74 (2/1)	74.78 (6/6)
FRANCE CAC General (29/12/61)	106.90	107.5	108.7	109.4	117.80 (22/8)	97.1 (6/1)
Ind Tendance (29/12/79)	105.50	105.9	106.6	107.8	109.70 (15/2)	95.90 (3/1)
GERMANY FAZ-Aktien 31/12/58	230.64	229.93	(c)	230.89	238.69 (25/2)	212.75 (28/3)
Commerzbank (Dec. 1953)	724.20	724.1	(c)	726.1	749.2 (26/2)	667.0 (27/3)
HOLLAND ANP-CBS General (1970)	85.7	85.5	85.6	86.0	87.0 (11/2)	74.8 (27/3)
ANP-CBS Indust. (1970)	65.2	66.2	66.2	65.5	68.2 (11/1)	58.2 (28/3)
HONG KONG Hang Seng Bank (31/7/64)	967.94	983.24	(c)	961.12	983.24 (18/6)	738.9 (18/3)
ITALY Banca Comm. Ital (1972)	106.19	106.98	105.21	102.64	106.98 (18/6)	83.11 (2/1)
JAPAN Dow Average (16/5/49)	6781.88	6824.95	6798.50	6852.61	6904.81 (25/4)	6475.95 (27/3)
Tokyo New SE (4/1/68)	467.88	468.67	466.94	468.56	472.65 (14/2)	448.01 (18/3)
NORWAY Oslo SE (1/1/72)	126.69	127.52	127.78	128.73	144.70 (14/2)	110.12 (28/5)
SINGAPORE Straits Times (1966)	545.54	546.16	533.64	529.27	546.15 (18.6)	423.75 (5/1)
SOUTH AFRICA Gold (1958)	—	661.3	650.8	650.8	650.8 (16/6)	649.5 (13/5)
Industrial (1958)	—	524.7	524.5	522.8	529.1 (28/5)	456.9 (29/1)
SPAIN Madrid SE (28/12/79)	100.55	100.61	101.04	101.25	105.29 (21/2)	95.76 (13/5)
SWEDEN Jacobson & P. (1/1/58)	561.62	584.40	586.50	598.32	595.98 (8/2)	554.72 (17/1)
SWITZERLAND Swiss Bank Co. (31/12/58)	300.11	298.5	299.2	298.9	317.9 (11/2)	284.3 (22/4)
WORLD Capital Intl. (1/1/70)	—	—	142.9	145.3	145.3 (13/2)	120.5 (27/3)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK

CANADA

BELGIUM (continued)

DENMARK

FRANCE

GERMANY

AUSTRIA

BELGIUM/LUXEMBOURG

HOLLAND

ITALY

NORWAY

SWEDEN

SWITZERLAND

AUSTRALIA

JAPAN (continued)

SINGAPORE

HONG KONG

SOUTH AFRICA

JAPAN

BRAZIL

Financial Rand U.S.$0.86¼ (Discount of 33½%)

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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FINANCIAL TIMES SURVEY

Friday June 20 1980

Frozen Foods

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Sales of frozen food are expected to top £1bn in the UK for the first time this year, but the industry considers its profit margins inadequate. However, manufacturers expect modest growth during the next few years as supermarkets devote more space to their products and more households buy freezers.

Caution is key to the 80s

By David Churchill
Consumer Affairs Correspondent

MORE THAN 300 delegates involved in some 21 frozen food industries around the world are expected to attend next week's World Frozen Food Congress which is being held in Monte Carlo.

The meeting will be the largest gathering of its kind and clearly reflects that—50 years after frozen foods first became commercially available — considerable optimism still exists in most markets for the growth of frozen food sales in the 1980s. But such optimism has to be tempered by inevitable caution, especially since the various industries throughout the world are in different stages of development and therefore have differing problems at any one time.

In the UK especially, where growth in sales last year showed the first significant volume increase for several years, caution is clearly the key. Mr. Don Angel, chairman of the world's largest frozen food company, Birds Eye, has warned that "it would be foolish to assume that the 1980s hold unlimited hopes of continued growth."

Mr. Angel added that "anyone who thinks that cold stores are filled with pots of gold is in for a shock." He pointed out that profit margins in the frozen food industry were still inadequate and said that "even large and distinguished companies are finding it uncomfortably difficult to achieve reasonable levels of profitability in frozen foods."

In 1979, the UK frozen food market increased in volume by 8 per cent to reach 565,000 tonnes. In value terms, the market rose by 16.5 per cent to reach total sales at retail prices of £920m. It is confidently expected that frozen food sales this year will top £1bn for the first time—and that total frozen food sales around the world will exceed £25bn.

Out of the £920m total UK market, some £710m last year went on frozen foods bought for the home, with the rest spent on foods for the catering market. For the first time, moreover, consumers with domestic freezers accounted for more frozen food purchases than non-freezer owners—£368m compared with £342m.

The industry's caution about the UK market's good performance last year was mainly due to the sharp 15 per cent increase in sales volume of frozen vegetables. This increase was due to poor harvests in 1978 together with the severe wintry weather and lorry drivers' strikes in the first quarter of the year which drastically curtailed supplies of fresh vegetables.

However, in the last few months of the year ample supplies of fresh vegetables became available, which dampened demand for frozen vegetables. Such seasonal twists in demand have always been a constant factor in the development of the frozen food market in the UK.

Although some frozen foods were on sale before the Second World War, it was not until post-war Britain that the UK industry started to develop.

Hampered

The expansion of the market was at first hampered by the absence of a distribution network for frozen foods at both the wholesale and retail levels. Distribution of frozen food required considerable capital outlay on cold stores, refrigerated transports, and refrigerated food cabinets in shops. Retailers had no experience of selling frozen foods other than ice cream and were reluctant to invest in frozen food cabinets for the selling of novel products.

However, in 1953 the first open-top display cabinets were introduced and the major companies often provided these for retailers.

During the 1950s and 1960s, frozen foods became a high-growth market as increasing living standards and developing technology made the processing and distribution systems more efficient and more homes had refrigerators.

Yet the rapid growth of the market attracted numerous operators and led to considerable over-production. Moreover, by the 1970s, consumers were beginning to become more sophisticated about frozen foods and wary of the low quality produced by some companies.

Thus the last decade has been characterised by the classic situation of too much production chasing a market where demand was not growing as fast. Demand would have undoubtedly grown even more slowly had not the domestic freezer market taken off so rapidly, helped by new retailing developments such as specialist freezer centres.

However, the frozen food industry remains one of the few sectors of the overall food market which can still be fairly optimistic about the decade ahead. While demand for food in general remains static — and has been for several years — frozen foods should still manage to maintain a modest growth rate of about 2 to 3 per cent a year.

Probably the main reason for optimism must be the increasing willingness of the major supermarket multiples to stock more frozen foods. Since the bulk of food shopping is through multiple grocers, they obviously have a large say in determining what is bought simply by making the products available.

Supermarkets, however, have in the past not considered the extra costs of refrigeration and display for frozen food worth the trouble of promoting these products. A large proportion of sales are accounted for by such high volume lines as vegetables and beefburgers, which consequently carried low profit margins.

However, supermarket operators during the 1970s slowly came to appreciate that better merchandising of frozen foods — especially the lower volume lines which earned higher profit margins — could make the investment in display cabinets pay off. Moreover, as supermarkets have steadily increased in size, so more space has become available to sell frozen foods.

The inexorable growth of the of the major supermarkets in frozen foods is shown by market figures which reveal that the multiples accounted for some 46 per cent of trade last year, a rise of 1 per cent on the 1978 level. Freezer centres kept their market share at 18 per cent, while the co-ops increased theirs slightly from 11.5 per cent to 12 per cent last year. The main losers were the small independent grocers, whose share dropped over the year from 14 per cent to 11.5 per cent. The proportion accounted for by other types of food shops, 11.5 per cent, remained the same.

Another reason for optimism within the industry is the steady growth of home freezer ownership. More than 32 per cent of all households now have a freezer, more than double the level of ownership in 1974. Although the rate of growth of home freezer ownership obviously will slow as the number of households with freezers increases, the industry expects the penetration to increase steadily throughout the 1980s.

More importantly, however, for the industry is the increasing willingness of freezer owners to buy ready-frozen foods rather than to freeze their own. Freezer owners last year for the first time accounted for more frozen food purchases than non-freezer owners—by 57 per cent to 43 per cent. It is estimated that by 1984, the proportion of sales to freezer owners will be as high as 70 per cent.

Social trend

Underlying this growth in freezer ownership and frozen food sales is the marked social trend towards increased use of convenience foods. This growth is due to the rise in the numbers of working women as well as rising living standards.

Associated with the rise in popularity of convenience foods is the growth in sales of ethnic foods and speciality dishes, such as pizzas, Chinese, and Indian foods. This trend also has the effect of enabling more small specialist manufacturers to enter the industry if they can identify and meet the demand for new products before the major companies.

In fact, small specialist operators play an important part in the industry even though the bulk of sales are accounted for by the three major companies, Birds Eye, Ross, and Findus. Trade estimates suggest that there are almost 350 companies—most of them small—operating in frozen foods.

Moreover, a recent comprehensive survey of the financial performance of the industry—by the ICC Business Ratios company—came to the conclusion that "the most profitable, efficient and most effective companies in the use of capital, assets and labour are the small specialists."

ICC says that names like Witch Chips of Whitehaven, Cumbria, Frank Idien's (fruit and vegetable specialists), Eskfoods, Chaldur (fish) and Bernard Matthews, the turkey producer, "recur again and again." For example, in the tables for profit per employee and sales per employee, Chaldur, the UK subsidiary of the Faroese fishermen's co-operative, has achieved good results in both fields. Its profits per employee is nearly treble the industry's average and sales per employee is almost four times greater.

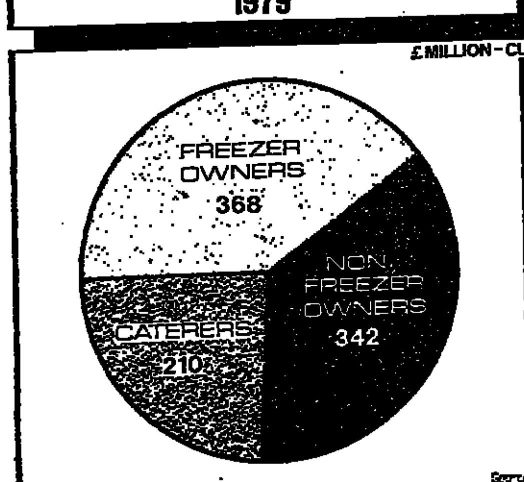
Taking the yardstick of profitability related to assets, ICC found that the highest ratio was achieved by Witch Chips, with 31.2 per cent. Bernard Matthews also did well with a ratio of 23.7 per cent.

ICC also uses the same profits to assets yardstick to compare the performance of the major companies. Young's seafoods, part of the Imperial Group, did best with 9.9 per cent.

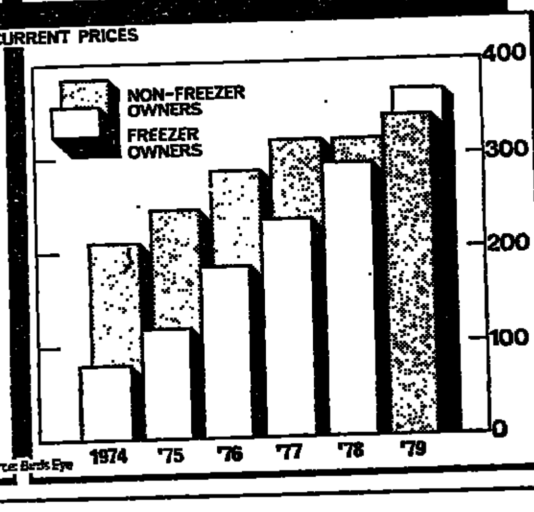
The three major companies, however, did not do so well with Ross achieving 7.3 per cent, Birds Eye 4.5 per cent and Findus 1.7 per cent. These figures were close to the average, point out ICC, which indicated that "the continuing High Street price war was still putting too much pressure on producers' margins."

But even the specialist producers which can carve a profitable niche for themselves in the market, will be well aware that while opportunities for further growth will arise in the coming decade, the competition will be as fierce as ever and many more operators could be forced out of business. The history of the food trade is littered with the victims of the fickleness of consumers' tastes.

UK FROZEN FOODS EXPENDITURE 1979



UK FROZEN FOODS EXPENDITURE (EXCLUDING CATERING) 1974-79



FROZEN FOODS II

Equipment makers expect tough times

FOR THE major European manufacturers of food freezing and storage equipment — together with those companies which design, build and operate cold stores—trading conditions over the next few years are likely to prove tough.

In the UK industry, in particular, the strength of sterling is of growing concern—particularly for an industry heavily dependent upon exports. Competition within the industry is growing at a time when the market is perhaps more uncertain than ever before, partly because of high interest rates. Although at present there is no indication of a major downturn in investment in cold storage in the UK, manufacturers fear such a downturn may be just around the corner.

Against this background the major manufacturers are concentrating on strengthening and consolidating their market positions, some, for example, by providing wholesale services and overall design-installation-servicing packages while also seeking opportunities for expansion in overseas markets.

Prestcold Holdings, one of BL's specialist engineering companies, last year pulled out of the manufacture of the small hermetic compressors for refrigerators—closing its Scottish factories in the face of mounting competition—to concentrate on its more profitable activities in commercial refrigeration, heat exchangers and air conditioning equipment.

The company, which claims about 70 per cent of the UK market for industrial and commercial compressors, exports up to 60 per cent of its products through its subsidiary Prescold Searle International and with about 40 per cent of the European semi-hermetic compressor market is one of the largest manufacturers in Europe.

Major technological inovations in freezing and storage equipment are rare and the UK industry has, in particular perhaps, been slow to innovate.

However, Prescold has in recent years spent £1m developing a multi-role rotary gas compressor at its Theale plant in Berkshire and is shortly expected to unveil a new, lighter and more compact compressor aimed at the commercial refrigeration market. The new compressor is understood to be designed to operate in groups of two or three which would service a whole case run in a supermarket.

As part of its development strategy, the company is also setting up a new wholesale operation trading under the name Nationwide Refrigeration Supplies (NRS) aimed at providing a full wholesale components service to the refrigeration industry and installers. NRS, which will also provide a full design and technical back-up service, will complement Prescold's existing contract division which claims up to 70 per cent of all UK retail contracting work —more than half of which is for the food industry.

The Christian Salvesen cold storage complex at Easton, near Grantham, is Europe's largest

This pattern of vertical integration—manufacture, distribution and contracting—is an increasingly common feature of the industry. The market for the industry's products ranges from the supermarket cold store room and display case runs to the processing and cold store depots.

For food freezing, the traditional horizontal plate forster has been largely replaced by more sophisticated freezing techniques.

Among these is the air blast freezer—tunnels through which products pass on belts or trolleys in a current of air at −25 degs C to −30 degs C produced by powerful fans.

Fluidised bed or belt freezers enable vegetables to be individually frozen. Birds Eye, has pioneered many of these developments and has spent £30m in recent years on equipment enabling large volumes of a product to be fresh frozen quickly.

A further development from tunnel freezing has been spiral belt freezing which has a number of advantages including reducing the amount of space taken up by a belt and a cut in operating costs while increasing output.

Birds Eye has installed a 32-tier spiral belt freezer at its specialist bakery in Eastbourne capable of freezing 2.5 tons an hour. At the company's Kirkby meat factory a 44-tier unit—two adjacent 22-tier units with an automatic transfer at the top—can process 500 meat pies a minute and replaces a conventional tunnel which would have to be 2,000 ft long.

Capacity

Most of the major cold store operators also have food freezing capacity. For example, nine of Christian Salvesen's 15 UK sites have fish, vegetable and fruit processing plants capable of freezing a total of nearly 100,000 tons of produce a year. Salvesen operates a total of around 1.35m cubic metres of cold and chill storage in the UK, about 30 per cent of total UK public storage capacity.

Salvesen, which operates perhaps the largest cold store in Europe at Easton, near Grantham in Lincolnshire, with a capacity of 230,000 cubic metres, has invested heavily in providing a series of packaged services for its customers and now operates about 400 temperature controlled vehicles in Britain, Belgium and France ranging up from 16-tonne rigids to 32-tonne articulated trucks.

The group offers a wide range of services to its customers which include British Home Stores, Marks and Spencer, Sainsbury's and Kraft in the UK, Delhaize and GB-Inno BM in Belgium.

Centralised distribution is increasingly viewed as one of the major areas of further growth — particularly at a time when investment is constrained by high interest rates and the overall economic climate. Mr. Freddie Craig, director of Salvesen's Food Services Division said: "Our customers prefer to contract their work to us rather than invest in their own vehicles."

Significantly, it is to the relatively under-developed French and Belgian frozen food retail markets that Salvesen has recently been paying most attention — building cold stores in both countries.

The specific requirements of customers, together with the need to cut costs are also having an impact on the interior of the cold store. In particular designers and operators are examining the prospects for further automation, improved stacking techniques and energy savings through insulation and changed door design.

Major long term developments are likely to include cold storage of entire container loads and the standardisation of frozen food packs to aid stacking together with the introduction of more sophisticated racking systems and mechanical handling equipment.

Such developments, including investment in driverless computer controlled cranes, would seem to point towards the fully automated cold store as being "just around the corner." However, industry observers like Mr. Simon Morgan of Osborne Marketing, believes there are several outstanding engineering problems.

The first priorities for cold store designers and builders themselves are to reduce both running and construction costs. Companies like Smith and Partners, which claims to have built more than 75 per cent of the UK's cold storage capacity, and the UK-based O'Gorman Group have cut construction costs and improved insulation by using prefabricated panels. There are now many types of insulated panel on the market ranging in thickness from about 2 ins to 12 ins.

The latest development from the O'Gorman Group, launched this month, is the marketing of "modular cold stores." Using a standard design incorporating either factory-engineered refrigeration plant and controls or "packaged" refrigeration units, modules can be grouped together providing a high degree of flexibility.

At the other end of the distribution chain, "packaged" systems are a growing feature of supermarket refrigeration. Major trends include the development of control systems providing tighter temperature control and the recycling of "waste" heat through heat exchangers.

Competition for the declining number of major new supermarket developments is now fierce, although contractors are finding it easier to sell the "extras" on a system — sophisticated control equipment and heat exchangers.

Competition among the major manufacturers of store refrigerated display cases is also tough. In an attempt to assist the customer faced with a wide choice of cabinet, Birds Eye published a booklet called "Choosing a Display Case" last November.

The booklet, aside from assessing individual cabinets, also advises on how big a frozen food department should be and where it should be sited.

Across the industry as a whole, customer pressure for cost savings, both in terms of operating efficiency and purchase price, are likely to intensify as the squeeze on profit margins increases.

Paul Taylor

Increased competition squeezes profits

AFTER ANOTHER successful year in 1979, the frozen food industry could be excused for feeling fairly pleased with itself, but many producers have considerable misgivings about prospects for the near future. Increased competition has squeezed profit margins, while inflation and high interest rates have made investment in improved technical efficiency increasingly expensive. Nowhere has inflation bitten harder than in the cost of energy, and refrigeration is highly energy intensive.

A further worry is the slowdown in the growth rate for home freezer ownership as the number of households with freezers increases.

Against this background, frozen food companies must keep a close watch on the cost of the basic food products which provide their raw materials.

The more sophisticated high added-value products which accounted for most of last year's 16.5 per cent rise in the value of UK frozen food sales to £920m have tended to reduce the influence of commodity prices on average costs, but simple, straightforward products remain the industry's bread and butter. In 1979, peas, fish fingers and beefburgers were still accounting for 31.5 per cent of all spending on frozen foods.

Fish has always been one of the mainstays of the British frozen food industry, and in recent years frozen fish has been the mainstay of the British fishing industry. While overall consumption of fish has declined inexorably, sales of frozen fish have remained encouragingly buoyant. Between 1974 and 1979, UK consumers increased their purchases of frozen fish by 18 per cent and this trend shows no sign of slowing. In the final quarter of last year, frozen fish consumption in UK homes averaged 1.26 ounces per head per week, 9.6 per cent more than in the same period of 1978.

Many British fishermen feel less than delighted by these figures, however, as they believe they have ben made possible only by the importation of cut-price fish caught by subsidised foreign fleets. These imports have depressed UK quayside prices and are driving British fishermen into bankruptcy, they claim.

'No option'

Mr. Michael de Frates, chairman of the UK Association of Frozen Food Producers, does not deny this claim, but argues that British frozen food producers have no option but to buy their fish abroad since British fishermen, through no fault of their own, cannot supply the fish the industry needs.

Having been shut out of Icelandic waters and having lost most of their fishing opportunities off Norway and elsewhere, British fishermen's landing of cod — the UK housewife's favourite fish by far — have slumped. Mr. de Frates estimates that even if Britain were to get half of the EEC cod quota this year, its fishermen would be able to land only about 170,000 tonnes compared with 280,000 tonnes in 1973.

Frozen food producers sympathise with the plight of the domestic fishing industry, but they cannot ignore the fact that supplies of cod from Norway, Iceland and North America are plentiful and cheap. They are also often of better quality than those landed in Britain, Mr. De Frates says. While sterling remains strong, the British frozen food industry is likely to remain in a fairly comfortable position as far as fish is concerned. The only danger appears to be the possibility of Britain or the EEC acceding to the fishermen's demands for increased levies or severe restrictions on imports. But this seems extremely remote.

The position as regards meat is less happy, though far from desperate. Prices are rising and imports are difficult to come by. The reason for this is EEC membership. While the beef intervention buying system—used to keep up EEC producers' returns—prevents freezers, or any other manufacturers of meat products for that matter, from getting as much EEC manufacturing beef as it wants at what it considers a reasonable price, border taxes designed to protect the market, also deny it alternative cheap supplies from third countries.

The problem is that the Common market beef regime does not differentiate between prime beef and manufacturing beef. When demand for roasting joints and steaks is weak, supplies are taken into intervention to prevent prices from falling too far. But the lower value manufacturing beef, which is the raw material used by the frozen food industry, is sucked in as well.

The industry is not taking this situation lying down and is constantly lobbying for a lower intervention price and reduced levies on manufacturing beef, but so far without success.

"Meat processors turn non-prime meat into edible, nutritious and appetising products," says Mr. De Frates. "There is no sense in depriving the consumer of the full benefits of these products."

Beefburgers lead

Despite these disadvantages, however, meat products ranging from beefburgers to meat pastries, accounted for about a quarter of all UK frozen food sales by value last year. Beefburgers led the field with a share of over 10 per cent (though this was down from nearly 12 per cent in 1977).

Another, though less serious, threat to these sales is looming, some manufacturers fear. This is the report of the House of Commons Food Standards Committee. The main bone of contention is a recommendation in the report that ingredient and labelling requirements for meat products should be based on "lean meat" instead of just "meat." Apart from posing problems in establishing the leanness of meat used, this would have the effect of making products appear less attractive to the housewife because they would seem to contain much less meat than before. No doubt buyers would get used to the new figures but even a brief setback in sales would be far from welcome in these difficult times.

EEC labelling requirements which are to be brought in soon could pose yet another problem. This is a requirement to declare in ingredient lists the content of "mechanically recovered meat." MRM is simply meat which has been removed from the bone by mechanical means and is usually used in minced form. But the housewife might well find the term far from appetising, if not downright alarming.

Prospects for frozen vegetable demand are always difficult to forecast, depending as they do on supplies and prices of fresh vegetables.

Last year, sales rose 15 per cent in volume terms but this was largely due to the poor harvests of 1978 which cut back fresh supplies. This position was reversed towards the end of the year when the new harvests began to come forward. Fresh vegetables became cheaper and more plentiful, hitting frozen sales.

This situation has continued so far this year and, with crops looking good, seems likely to remain for the rest of the year. Sales of frozen vegetables are not expected to slump, but neither are they likely to leap forward as they did early last year.

In value terms, peas are by far the biggest sellers, though potatoes, mostly sold as chips, are the leaders in tonnage terms. Last year peas accounted for 10.4 per cent of all frozen-food sales in Britain while chips had a share of about five per cent.

In the final quarter of 1979, average home consumption of frozen vegetables stood at 3.83 ounces per person per week, 11.66 per cent more than a year earlier.

Richard Mooney

U.S. still hungry for novelty

DESPITE ever-rising energy and food costs, the American public has shown no abatement in its hunger for frozen foods. In fact, frozen food sections may be subsidising other departments in U.S. supermarkets, according to a recent study by the National Frozen Food Association (NFFA).

Although frozen foods generally consume 30-37 per cent of a store's total energy usage, frozen food departments are averaging 30 per cent higher gross profit margins that total store gross margins, according to the NFFA survey.

This does not mean there may not be some slippage ahead during the recession. SAMI, the Time Inc. subsidiary which monitors warehouse - to - store shipments in 39 markets, reported in May that frozen food tonnage sales had slipped 0.1 per cent in the 12 weeks ending March 7. However the industry managed to return to the plus column with an 0.6 per cent sales increase in the 12 week period ending April 4.

Apparently the effects of inflation are still being blunted by the same social trends which produced the industry's dynamic growth — working women two-income families, increased home freezer use and changed eating habits. Inflation has sent more women to work than ever, and with the increased cost of petrol they are making fewer trips to the supermarket. Fresh produce departments have thus suffered.

Inflation-squeezed families of working women are cooking conveniently at home rather than eating out as frequently at fast food restaurants, where prices have been increasing even more rapidly than at the retail level. Products like frozen fried chicken are often cheaper than home made dishes and are half the cost of those purchased at fast food shops.

So the industry continues to produce an endless selection of new offerings. These range from such delicacies as stuffed quail, octopus and carrot cake to a concoction called French fried sweet potatoes. Shoppers may now purchase frozen sandwiches, omelettes and soups like split pea, lentil and beef gumbo.

Trumpeted

In the American frozen food industry, change has long been standard. One of the most trumpeted new techniques to appear in recent months is the freeze flow process, patented by Rich's Products Corporation, which allows certain items to be frozen without hardening. The housewife, who struggles to defrost a can of orange juice in the morning, may now remove juice from her freezer in liquid form.

The freeze flow process, developed at a cost of more than $2m by the research and development department at Rich's, is described as "a molecular changing of the structure of the produce in which the free water is adhered to another substance—sugar, protein or unsaturated fats." Its use is mostly for liquids—juices, soups and cream-filled pastries—but company officials say new uses for the process are constantly being discovered.

Rich's has now embarked upon licensing and evaluation agreements with several U.S. companies and is negotiating pacts with companies in Belgium, Spain and the UK.

The use of microwave ovens, so inextricably bound up with the current growth of frozen food, has shown no signs of slowing. While major appliance sales declined 1.1 per cent in the first quarter of 1980, microwaves showed a gain of 45.3 per cent, according to the Association of Home Appliance Manufacturers.

The continued success of microwaves has led to some adaption by frozen food makers. Packagers are now printing microwave cooking instructions on the boxes of conventional frozen foods. Foods, such as "TV dinners," packaged in aluminium trays, are now also becoming available in fibre trays for use in microwaves. Some foods have had to be reformulated for microwave cooking.

Although the industry appears to be weathering inflation and recession, it is not without its problems. Energy conservation remains a top concern. Display cases are being fitted with glass doors and at least one company, Angelo's Supermarkets in Rockland, Mass, is adding thin plastic strips instead of the more expensive glass doors to multi-deck cases with less than three years of useful life remaining, and it is adding thicker plastic panels to the newer cases.

Other companies have installed computerised temperature controls for their refrigerated cases. Big V Supermarkets, a chain with stores in Florida and New York, reports having achieved a 24 per cent energy saving by analrsing every detail of store construction and designing changes in lighting, refrigeration and heating.

Nancy Dunne

Retailers increase freezer space

THE PATTERN of frozen food retailing that has emerged during the 1970s seems likely to continue throughout most of the next decade. This pattern has seen the major supermarket multiples devote more and more of their selling space to frozen foods as the sector's volume growth potential became increasingly apparent, in contrast to the virtually static demand for food as a whole.

Thus, in the same way as the multiples are squeezing the small grocer in the overall food market, so the supermarket chains are putting pressure on independent grocers in the sales of frozen foods.

The trade figures published recently by Birds Eye clearly show this pattern. Over the past year the multiple supermarkets have increased their share of the market from 45 per cent to 46 per cent. At the same time, the small grocers' share has slumped from 14 per cent to 12.5 per cent.

Fewer outlets

This increasing concentration of frozen food sales through the larger supermarkets is reflected in the absolute decline in the number of shops selling frozen foods. From a total of 105,000 in 1976, there are now an estimated 87,000 frozen food outlets in the UK—a decline of 6,000 outlets in the past year alone. Although the total number of supermarkets has also declined slightly, by far the biggest slump has been in the numbers of small grocers. Trade sources estimate that as many as 20 small grocers a week are going out of business.

The major supermarkets' increased interest in frozen foods has come about not only because the increased size of supermarkets—into giant superstores of 25,444 sq ft or more—has meant that it has become possible to devote more space and back-up facilities to frozen foods.

Some 35 superstores were opened last year and a further 40 are expected by the end of this year. By the mid-1980s, the trade estimates that there will be about 400 such superstores, selling almost a fifth of total frozen food sales.

In spite of their increased sales however, many supermarket operators have not fully exploited the potential from frozen foods. Intensive price-cutting on lead lines such as peas, fish fingers and beefburgers often leads to a distortion in cabinet displays. More space is given to the front line products at the expense of other lines which could be more profitable.

In the same way, careful merchandising of frozen foods by small grocers can still make frozen food sales extremely profitable, even if their total volume sales fall. This is because lines such as frozen pizzas, cakes and desserts carry higher profit margins and hence extra added value.

But in between the merchandising battle between the superstores and corner grocers lies the retailing phenomenon of specialist freezer centres.

Freezer centres are virtually unique to the UK and have been developed mainly over the past decade in response to the rapid growth in demand for frozen foods in the 1970s and the slowness of the major supermarket chains to capitalise on this demand.

The development of freezer centres, however, was also largely due to the entrepreneurial flair of Mr. John Apthorp and his Bejam chain. Mr. Apthorp's family business—selling pre-packed potatoes—was bought out by the Ross group in 1968. Disenchanted with working for a large group, and conscious of the potential demand for frozen foods, Mr. Apthorp opened his first freezer centre in November 1969. (Bejam was called after his initials and those of his brothers and sister—Brian, Eric, John and Marion.)

Bejam proved that the market demand existed, with people coming from up to 50 miles to shop in his first few stores. Expansion in the early 1970s was rapid and, in 1973, the company made a successful flotation on the Stock Exchange.

Not surprisingly, Bejam's pioneering soon led to other companies entering the market. The co-operative retail societies were quick off the mark and are now established as the second largest operator of freezer centres, behind Bejam's 150 or so stores.

Almost static

But the growth of freezer centres was short-lived. By 1974, there were just over 1,100 freezer centres through the UK—a number that has remained virtually static ever since. The reason for the failure of this form of retailing to expand further was mainly the growing awareness of the large supermarkets of the potential from frozen food sales. The specialist freezer centre also suffered from the consumer switch away from large domestic freezers and bulk packs to both smaller freezers and package sizes.

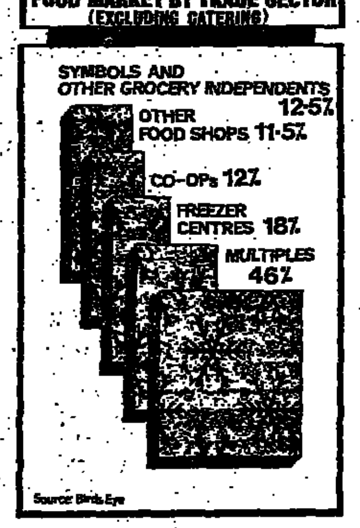
But while the absolute growth of the freezer centre form of retailing may be limited, Bejam has proved that being first in the field has enabled it to operate the centres more efficiently. In the first half of its current financial year, for example, Bejam increased its pre-tax profits by 50 per cent—from £2.7m to £4.1m. The Bejam philosiphy appears to be that there is still considerable scope for its own expansion in freezer centre retailing, even if others are not so sure.

Earlier this year, for example, Bejam acquired Fne Fare's 16 freezer centres for just under £3m.

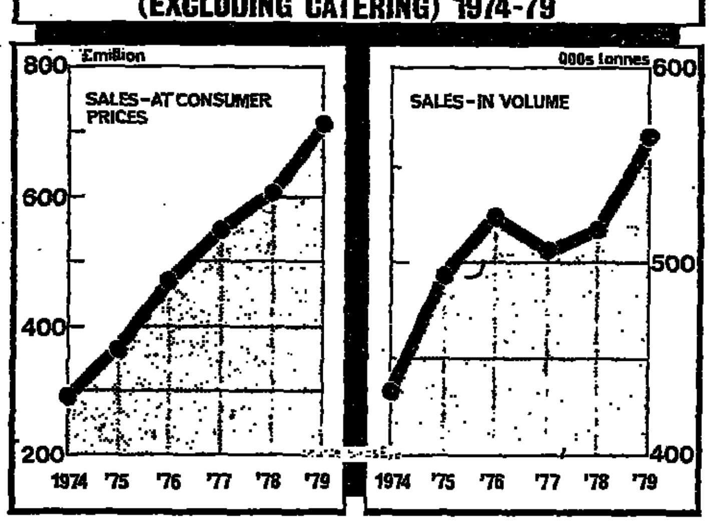
But Bejam is also hedging its bets by moving into the rapidly growing fast-food business with its "Trumps" chain of outlets.

David Churchill

VALUE SHARES OF THE UK FROZEN FOOD MARKET BY TRADE SECTOR (EXCLUDING CATERING)



IN-HOME QUICK FROZEN FOODS MARKET (EXCLUDING CATERING) 1974-79



Catering sales have good long-term prospects

IN ITS introduction to national eating out habits, he Gallup survey of caering this year prefaces its findings by pointing out that "the sorry state of the catering industry is immediately apparent."

The current recession, and consequent squeeze on the amount of cash available for eating out, has been reflected in the sales figures of frozen foods manufacturers to the catering industry.

The Birds Eye business report published in April says that frozen food sales to the catering industry showed less buoyancewy than sales to housewives. In 1979 sales to caterers amounted to £210m, up 13.5 per cent at trade prices on 1978. This was however, well below increases of 26.9 per cent in sales to private freezer owners.

The Birds' Eye report points out that catering accounts for a gradually shrinking share of total sales, 22.8 per cent in 1979 compared to 23.4 per cent in 1978. The report also suggests that growth in volume terms was relatively small.

The Ross report on catering findings is much more optimistic than Birds Eye and puts the size of the catering frozen food market at £374m in 1979. It also suggests an increase in volume growth of 5 per cent last year.

However, the long term trends in favour of consumers opting for convenience foods, fast food outlets and meals away from home, suggests reasonable grounds for optimism in the industry. Since the Second World War, the British food industry has mirrored American developments, and there 40 per cent of food expenditure goes for food outside the home. At present the British figure is about 20 per cent.

Mr. Howard Phillips, sales and marketing director of Ross Foods, argues that eating out is bound to grow in the UK, and that frozen food manufacturers must be geared to meet the demand.

He says the public is becoming increasingly conscious of quality and that caterers will have to pay greater attention to food standards ad to the size of portions. "The frozen food manufacturer is ideally placed to help."

The industry sees the catering market in five distinct sectors, each with potential growth. Probably the most exciting and certainly with the largest potential is the pub market. Pub meals are increasingly reliant on frozen foods in view of licensee's problems of demand being concentarted in a relatively short period of the day.

Pressure

The Gallup survey found that between June 1978 and June 1979 spending on pub meals rose by 84 per cent. Britain's 75,000 pubs have become in-increasingly aware of the need to offer food, although the majority are still not past the crisps and rolls stage.

The brewers are now putting pressure on pubs to improve food and to increase the range. This should provide a major growth area for frozen foods.

The second sector with large-scale potential is the fast food outlet market where producs such as pizzas or hamburgers need a guaraneed sandard quality and low overheads; the manufacturers' main selling point.

The hotel and restaurant industry has remained the most disappointing area for frozen food sales. The manufacturers feel their main chance lies in the increasing pressure on margins and consumer resistance to high restaurant prices.

Industrial catering made enormous progress during the 1970s due in part to pressure on companies by employees. The need to produce large numbers of meals of a guaranteed minimum quality should mean further growth in the sector.

The public sector offers manufacturers a large and as yet still mainly untapped market. The demand for prepared meals in hospitals, schools, day centres and old people's homes however is complicated by the worries trade unions feel over possible job loss. Centralised food preparation systems have often been introduced against strong union resistance.

One local authority that has introduced a frozen food prepared meals system is Liverpool. The education authority produces just under a third of the 70,000 school meals needed daily at its own frozen food plant and the remainder is produced commercially. The scheme has been extended to old peoples' homes and day centres.

The market for frozen foods in the catering industry is still concentrated in the potato products and vegetable ranges. Potato products, including chips, account for 36 per cent of catering frozen foods, vegetables 20 per cent, meat products 14 per cent, fish 21 per cent, ready-meal entrees 5 per cent and desserts 4 per cent.

The majority of caterers buy their products direct from the manufacturers or wholesalers. There is an increasing preference for novel products. Bubble and Squeak and Golden Hash browns have both gone down well recently. In an industry geared to change it is interesting to note potato products showed far greater growth than the general vegetable market.

Gareth Griffiths

FROZEN FOODS IV

David Churchill examines the history of the industry, from its beginning, when Clarence Birdseye invented the "plate froster" to the present day — 50 years after the first frozen foods were sold to the public.

Clarence Birdseye

Half a century from Springfield

ON MARCH 6, 1930, shoppers in the American town of Springfield, Massachusetts, were the first consumers in the world to be offered commercially available frozen foodstuffs.

Not surprisingly, Springfield's shoppers were fairly sceptical about the value of these new "novelty" foods, mainly quick frozen vegetables. But from this fairly inauspicious beginning, the frozen food industry has grown to this year celebrate its Golden Jubilee with sales in the UK alone topping £1bn.

The person now given much of the credit for inventing the technology to make commercial frozen foods a possibility was the somewhat prosaically named Clarence Birdseye, although many other people were obviously involved in the industry's early development as well.

Clarence Birdseye was an American biologist and inventor whose hobby was fur-trapping in the frozen north of the American continent. On many of his hunting trips in the first two decades of the 20th century he became used to eating fish and caribou which had been left in the open air and had frozen rapidly in the intense cold of Canada's Arctic region. But when he thawed out the food, after months of being frozen, it still tasted tender and fresh.

Clarence Birdseye was by no means the first to make this discovery, since Eskimos and others had been aware of it for centuries. But Birdseye's claim to fame was that he was the first to see the commercial possibilities of quick frozen food—and to set about actively developing the necessary technology.

After the First World War, Birdseye tried to reproduce mechanically the extremely rapid freezing conditions possible naturally in the Arctic. After years of experiments, he finally developed a quick-freezing device which was to become the backbone of the industry. His automatic "plate froster," patented in 1924, is still in use today.

Like many inventors, however, Birdseye was faced with the dilemma of marketing his invention or selling out to a larger company. In 1929, he decided to sell out his freezing technology—for $22m—to the General Foods company in the U.S.

But what prevented Birdseye from becoming just another anonymous inventor was General Food's decision to take his name, split it into two words, and use it as its trademark. Thus Birds Eye was formed. A year later, in 1930, General Foods made commercially available to the public for the first time the early fruits of Birdseye's invention.

Frozen foods, however, did not come to the UK in any major sense until after the Second World War, when Unilever acquired the rights to the Birds Eye name in the UK. Subsequently, Birds Eye in the UK—still part of Unilever—has become the world's largest frozen food company while the original U.S. operation has become less successful in fending off competition from other companies keen to join a fast-growing industry.

Apart from 1980 being the Golden Jubilee of frozen foods being on sale to the public, it also represents the Silver Jubilee of the UK's introduction to the ubiquitous fish finger. In 1955, this was launched on an unsuspecting British public as the first food product specifically developed for the frozen food industry. Now over 1.2bn fish fingers a year are sold in the UK, worth an estimated £75m at retail prices.

But in this year of anniversaries, another well-known name in frozen foods—Young's Seafoods, part of the Imperial Group—is also celebrating an anniversary, although not strictly a frozen food event. Young's is commemorating 175 years of being in the business of selling seafoods: in 1805 a 14 year old Greenwich girl, Elizabeth Martha, set out to sell fish caught by the locally based boats.

In 1811, Elizabeth married William Timothy Young—a member of a local fishing family—and the successful combination of fish catching and selling had begun. Mr. Norman Young, the current chairman, is a fifth-generation member of the family.

Value of ice cream sales pleases trade

THE RECENT spell of hot weather has raised hopes within the ice cream industry that the summer of 1980 will prove a good year for sales. The weather plays such an important part in determining the level of sales that ice cream executives have fond memories of 1976—the best summer ever for ice cream sales — when consumption reached a record 312m litres. Since then, three consecutive below average summers have left volume sales still some way below this record level.

Last summer, for example, the below average temperatures were estimated to have cost the industry about 6m litres of lost ice cream sales. The poor weather was, however, only one of the factors which led volume sales to fall slightly from 295m litres in 1978 to 291m litres last year.

These are figures published by Wall's, the market leader, which has been the main source of published data about the industry for several years. This year, however, Lyons Maid has also published some statistics which show a slight variation from the Wall's figures. Lyons Maid estimates that the volume ice cream sales in 1979 were 286m litres, a rise of 1m litres on the 1978 level—but still a long way below the 319m litres in 1976.

Disputes

Apart from the weather last year, the industry was hit by disputes affecting the major manufacturers, erratic edible oil supplies, and the increase in VAT announced in the June Budget. Ice cream is one of the few foods on which VAT is levied at the full rate of 15 per cent.

However, in value terms the ice cream industry came out ahead of the game. Wall's estimates that the value of the market at consumer prices was £300m, a rise of 16 per cent, which was slightly ahead of the overall rise in retail prices. Lyon Maid's figures also valued the industry's sales at £288m, a rise of £33m on the 1978 level.

It is this increase in value which gives the ice cream industry more grounds for optimism in the 1980s than mere reliance on a succession of hot sunny summers. But few within the industry would want to go again through the marketing upheavals and shifts in consumer demand that characterised the 1970s.

The ice cream industry has come a long way from the days of the "gaily painted hand carts of the itinerent ice cream vendor plying the products of his craft" and the "stop me and buy one tricycles with insulated boxes," as the Monopolies Commission so picturesquely described the industry's growth in a report published last year. Ice cream, the commission added, is a very old established trade which has been transformed by mass production methods and the demands of an affluent society.

Such demands have meant that, in spite of recent poor summers, the volume of ice cream sold is now about a fifth greater than in the early 1970s. This overall volume growth is even more significant when set against the static volume sales of food in general throughout the 1970s.

The growth in sales has largely arisen from the emergence of high-value confectionery ice creams such as Wall's Cornetto and Lyons Maid's King Cone. Between them these two ice creams probably represent over a tenth by value of the total ice cream market: such brand dominance would have been unthinkable a few years ago.

The ice cream market is split into two types: confectionery ice cream bought on impulse and bitten or licked; and ice cream bought in bulk for eating at home with a spoon.

Although it is difficult to calculate the exact split between the two markets because of overlapping of various sub-sectors, in general the impulse and bulk sectors are evenly split in terms of value, but split 70-30 in favour of bulk ice cream sales in terms of volume.

The traditional ice cream market in the 1950s, 60s, and early 70s consisted mainly of impulse sales of confectionery ices—such as cornets and choc ices — with only a limited amount of ice cream taken home for eating. There are over 112,000 small grocers and confectioners, tobacconists, and newsagents (CTNs) who are supplied by either Lyons Maid or Wall's and who are the main source of impulse sales.

In the early 1970s, however, the traditional impulse sales started to come under various pressures. The declining birth rate in the early 1970s threatened to impose limits on volume growth of impulse buys by children, who historically had dominated the market since adults until quite recently were reluctant to eat ice cream in the street. Moreover, the battle for a share of children's spending, money became more intense with the development of the savoury snacks market.

In addition, the CTN and small grocery outlets began to decline as a result of rising costs, increased competition from major multiples, redevelopment of town centres, and the general trend towards self-service and one-stop shopping. The CTN sector alone has shed over 8,000 businesses since 1971, with the present total standing at about 44,000 shops.

Yet without doubt the major threat to the traditional ice cream market developed in the early 1970s with the growth of consumer demand for ice cream to be bought in bulk and stored at home in a domestic freezer (the proportion of homes with domestic freezers has increased from 13 per cent in 1972 to 48 per cent last year).

This demand was met by the supermarket multiples and freezer centres which soon made clear their need for a high volume of bulk sales at low profit margins. The danger for the established manufacturers such as Wall's and Lyons Maid — whose strength was with the large number of small outlets — was that ice cream appeared to be on the way to becoming a commodity rather than a branded food product.

The supermarkets promoted ice cream sales on low prices, and thus put heavy pressure on manufacturers to trim margins for higher volume sales. It soon became apparent to Wall's and Lyons Maid that smaller manufacturers, by concentrating on a few ice cream varieties and producing them in bulk, could easily capture a large part of the bulk ice cream market.

The response adopted by the big manufacturers to these doubled-edged pressures—declining impulse sales and low profit margins on bulk sales—was led by Wall's which, the Monopolies Commission suggested, had outperformed Lyons Maid in this area. "Wall's performance may be better because it anticipated better the shift in the market to the grocery sector, and has secured in the past a larger share in the more profitable areas of the traditional sector," the commission says.

Anticipation

Wall's response was based on both marketing and technical developments. In 1975 it launched "soft scoop" ice cream which could be scooped straight from a freezer. Lyons Maid followed within six months and other smaller manufacturers have followed since then.

The marketing respose was even more successful. In 1976 Wall's successfully launched on to the UK market—at the third time of trying—what it claims to be the world's most popular ice cream: Wall's Cornetto ice cream cone. This is a crunchy sugar cone, lined with chocolate to stop it going soggy, and filled with ice cream and topped with hazelnuts and chocolate.

The crucial point is that since Cornetto is aimed at the adult impulse market—which now accounts for nearly half the impulse sector—it could offer a more sophisticated and higher priced product which could provide profits rather than just volume sales.

Wall's was fortunate that the 1976 re-launch (it had first tried to bring it to the UK 20 years earlier but adults then were less willing to be seen eating ice creams in public) coincided with the exceptionally hot summer. But sales of Cornetto have increased nine-fold since then.

Lyons Maid hit back in 1977 with its own cornet ice cream, called King Cone. Like Wall's, this was a re-launched version of a similar product which had failed to catch on in the 1960s.

The British adults' reluctance to lick ice creams in the street—and children's interest in other forms of snack foods—has meant that the UK is way down the international league table for ice cream consumption. The U.S. leads the table, with consumption of 24 litres per head of the population. The UK is eleventh—with 5.3 litres per head—just behind Belgium and ahead of Italy and France.

But in the final analysis, it all comes down to weather. Which is why more than one ice cream executive will be anxiously spending a lot of time looking out of his window this summer.

D.C.

Families opt for smaller freezers

THE GROWTH of frozen food sales in the 1970s has been inextricably linked to the increase of domestic freezer ownership. One of the key determinants, therefore, of the frozen food market in the 1980s will be the future freezer penetration of households. Freezer owners already account for the bulk (57 per cent) of frozen food sales in the UK and by the mid-1980s it is estimated that 70 per cent of all sales will be to freezer owners.

The proportion of households with freezers, however, is still only just over 42 per cent according to the industry's market research. This is double the level of household penetration in 1974 but such rapid growth is unlikely to be repeated in the future since the increase in ownership will be from a much larger base. It still seems likely, however, that some 55 per cent of households will have a domestic freezer by the end of 1983.

But the type of freezer that will be owned is still a crucial question. In the early 1970s the clear trend was towards large chest-type freezers since much of the early publicity about the benefits of home freezer ownership was the economies of scale of bulk buying.

Then it gradually emerged that housewives were not using their freezers economically since they did not use all available space. Potential freezer owners became aware of this problem and switched to buying either a smaller freezer or buying a combination refrigerator and freezer.

Thus fridge/freezer sales rose from 294,000 in 1974 to 634,000 last year, while conventional freezer sales fell from a peak of 851,000 in 1975 to 639,000 last year. This made total sales in 1979 of 1,273,000—below the boom year of 1977 when sales totalled 1,329,000.

More than half (56 per cent) of all freezers owned are now under 8 cubic feet in size, with a further 16 per cent between 8 and 12 cubic feet. The rest are over 12 cubic feet in size. This trend towards smaller sized freezers has coincided with a consumer preference for trying different frozen food products—a trend that the main manufacturers have intensified by numerous new product launches.

These trends, however, have meant that the average size of freezer packs has fallen. Over half of all frozen food consumption by freezer owners is now accounted for by packs of 2 lb or smaller. In vegetables, the traditional stronghold of the large bulk pack, nearly 60 per cent of freezer owners' purchases are in these small sizes.

Expenditure

As freezer owners grow in numbers so too does the proportion of their expenditure on frozen food accounted for by freezer departments in supermarkets and freezer centres.

The supermarkets' freezer department was the source last year of frozen foods for some 56 per cent of freezer owners' purchases. This was an increase of 3 per cent on the 1977 figure. Specialist freezer centres, however, have continued to decline as the source of frozen foods for freezer owners. Their market share last year was 33 per cent, compared with 35 per cent in 1977. All other outlets accounted for the remaining 11 per cent, the same as 1978 but 1 per cent less than in 1977.

According to market research carried out by Birds Eye, freezer owners buy more frozen peas than any other single product, while non-freezer owners give fish fingers a higher rating. For freezer owners, peas were followed in order of priority by beefburgers, then fish fingers and fish fillets, prepared meals of meat, chips, meat pies, other vegetables, meat pastries or savouries and, finally, crispy fish.

The order of preference for non-freezer owners, after fish fingers, was peas, beefburgers, prepared meals of meat, fish fillets, crispy fish, fish in sauce, breaded fish, meat pies and chips.

Birds Eye suggests, not surprisingly, that the statistics clearly show that most housewives now prefer to use their freezers as a source of already frozen foods, rather than cook dishes especially for freezing.

Analysis of freezer ownership also shows that it is still strongest in the C2 socio-economic group, and that families with children now account for just under half the total of freezer-owning families.

Regionally, the market research shows that there are still more freezer owners in London and the South-East. Indeed this area accounts for more half of all households with freezers, a fact which gives the London independent television stations a natural advantage for frozen food advertising on television. However, Tyne-Tees, Lancashire, and Anglia last year showed the fastest rate of growth of freezer ownership per household, and displaced the 1978 growth leaders, Yorkshire.

The regional breakdown of freezer ownership also shows that the type of freezer owned depends on where consumers live. People in those areas where freezer ownership has been longest established have more chest freezers, while newer growth areas favour smaller upright freezers and fridge-freezers. The trend towards smaller freezers will also be boosted by an increasing number of households having to replace their existing large chest freezer.

Dual freezer ownership is only considered a small part of the market, with less than 3 per cent of households having two or more freezers. Some households may decide, however, to complement their existing chest freezer with a smaller fridge/freezer in future. If so, this could provide a fresh stimulus to large pack sales, especially for vegetables.

D.C.

U.S. loans for Poland to buy grain

By David Lascelles in New York

THE U.S. is to extend a further $50m in agricultural credits to Poland to enable it to buy grain to offset the shortfall caused by bad weather.

This brings to $450m the amount of credit made available to Poland under various U.S. programmes this fiscal year, and it follows the $447.5m set up last year.

The U.S. Agricultural Department said the latest credit would enable Poland to buy about 425,000 tonnes at current market prices. Poland needs the grain because of harvest difficulties and the requirements of a growing livestock industry.

Meanwhile in Washington a report by the U.S. General Accounting Office said all vehicles in the U.S. could be using gasohol, a blend of petrol and alcohol made from grain, by the year 2000, according to Reuter.

Nationwide use of gasohol would reduce U.S. oil imports by 260m barrels a year, it noted. The U.S. now imports 3bn barrels of oil a year.

"It appears entirely feasible that the nation's vehicle fleet could be operating on a blend of 10 per cent ethanol, 90 per cent unleaded gasoline — a blend known as gasohol — by the year 2000," the GAO report said.

The GAO said the Agriculture Department believed that American farmers could supply enough grain to produce 5bn gallons of ethanol annually without significantly disrupting the industry.

This would be enough to replace about 5 per cent of present U.S. petrol consumption.

Soviet beet crop doubts lift sugar

BY JOHN EDWARDS, COMMODITIES EDITOR

WORLD SUGAR prices moved up sharply on the London terminal market yesterday in the face of renewed buying interest from the trade and speculators. The London daily price for raw sugar was raised by £15 to £330 in the morning. On the futures market, the September position rose from £372 to £392, before closing at £387.75 a tonne, £9 higher than the previous close.

There were several influences behind the rise. One was continuing concern over prospects for the Soviet Union beet crop, which is reported to have been hit by excessive rainfall. Russia is the biggest single world sugar producer, so the size of its crop has an important influence on the world supply-demand picture.

The market was also affected by the forecast that Mauritius sugar production would drop significantly to about 525,000 tonnes compared with 688,383 tonnes last year.

Even Brazil's announcement that it was not planning to cut its alcohol programme much to produce more sugar was interpreted "bullishly" by traders—a reflection of the mood of the market.

Reuter reported from Brussels yesterday that the EEC Commission estimates total Community sugar exports at 2.2m tonnes so far this season, which is 150,000 tonnes below the 2.35m total forecast as available for export. Last year the Community exported a record 3.2m tonnes. EEC stocks at the end of September are predicted to rise to 1.67m tonnes against 1.54m at end September last year.

The International Commodity Clearing House, announced yesterday that 850,000 tonnes (17 lots) of white sugar had been tendered on the terminal market against the July 1980 delivery contract. The white sugar was reported to be of French origin from the port of Rouen.

The open position in the whites futures market is still 195 lots, but traders noted there is little interest in the market at present with prices only spasmodically quoted.

Meanwhile Reuter reported that Sr. Carlos Andrade Pinto, former president of the Cocoa Producers' Alliance urged that Brazil should establish through Rio a special relationship with the London cocoa, coffee and sugar futures markets.

Frost fear boosts coffee

By Our Commodities Editor

COFFEE prices rallied strongly yesterday on renewed Brazil frost fears. The Brazilian Weather Office forecast possible frost in the non-coffee growing areas, but it is feared the cold weather might spread to coffee producing states since end-June to mid-July is the most dangerous frost period.

This vague threat was enough to lift futures prices, which have fallen sharply recently to the lowest level for four months. The September position, after sinking to a low of £1,570 in early trading, jumped to a high of £1,614 before coming back to close £10 up on the day at £1,598.5 a tonne.

Dealers felt that a technical reaction upwards was overdue. At the same time it is believed the producers' support group, which has been selling recently, may consider the time ripe to resume buying again.

Reuter reported from Washington that a slight decline in world coffee production in the coming crop season was predicted by the U.S. Agriculture Department in its first estimate for the 1980-81 season.

It put world coffee production at 79.6m bags of 60 kilogrammes, down 100,000 bags this season.

EEC SHEEPMEAT

Confusion over lamb regime

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

THE BRUSSELS farm price package was announced while I was on holiday in the wilds of Scotland. The main fragment of news that came over clearly through the static suggested that sheep farmers would benefit. So I telephoned my shepherd telling him to sell no more lambs until the bonanza happened or the new order came into effect.

However this instruction had to be quickly countermanded as soon as I realised that the proposed new regime was dependent on the agreement of New Zealand and other lamb exporting countries including Argentina, Australia and Eastern European nations, to control the amount of supplies sent to EEC.

Waterloo

Agreement is unlikely to be reached before September and might even be delayed until Christmas or beyond. By that time most of this year's lambs will have been eaten.

My first reaction to the arrangement was that the French refusal to obey the rulings of the European Court and lift its curbs on lamb imports had paid off. There is to be an intervention regime in France, paid for by FEOGA, the EEC Agricultural Fund. This is what the French had been fighting for; but are they happy?

Well, according to the director of one well known French sheep organisation L'Alliance Pastorale, the result in fact was a defeat for France—a veritable Waterloo.

But surely, I asked him, you have your intervention support price to sustain market values. His reply was that the level of the reference price at FFr 20.17—210 pence a kilo—was set too low based on the market values of three years ago. The intervention price, at 85 per cent of the refence level equals FFr 17.14—178 pence per kilo he pointed out. That was disastrous for French farmers.

The French market, he continued in tones of the deepest despondency, would be further flooded by masses of British lamb supported by the UK defnciency payments system. There might even be supplies from New Zealand creeping in. His members would not be satisfied until the reference price had been raised substantially.

British farmers, such as myself, are somewhat confused. No starting date has been set for the new regime.

Uncertainty also surrounds the planned increase in the standard UK price for lamb. Peter Walker, Minister of Agriculture, suggested it could be as much as 17 to 18 per cent, but 13 per cent has also been mentioned. In addition it is unclear whether the standard price rise will be made in one lump or spread over the four-year period needed to harmonise lamb prices in the Community.

The deficiency payment is the difference between the average market price and the standard, guaranteed, minimum. Market prices, particularly early in the season, can be highly variable and as a result the size of the deficiency payment can alter substantially from week to week. For instance, in the past three weeks, the deficiency payment has varied from 1.5p to 9.9p a kilo.

There are several ways in which the farmer can secure his "slap"—as the deficiency payment is called. It is either paid directly by the Ministry of Agriculture if the lamb is certified in the farmer's name either live or deadweight. Alternatively many wholesalers fix a price which includes the deficiency payment. In this case the lambs are certified in the wholesaler's name.

To guard against a flood of British lambs already subsidised invading the Continent, and perhaps being sold into intervention there, any lamb carcases exported will suffer a clawback or levy equivalent to the subsidy which it has been paid.

This is an interesting proposition. It could in theory inhibit the export of lamb to a marked degree. For example, a lamb certified in the week ending June 9, the clawback, which the exporter would suffer, would be 9.9 a kilo. This added to his costs and the strong pound, would probably price his lamb out of the French market.

If on the other hand, the exporter was able to persuade the authorities, that the lamb had been purchased the week before, he would only be liable to pay 1.5p a kilo.

Clawback

Most exporters are very worried about the situation, probably because of uncertainty. On the face of it, it does look as though the effects of the clawback will be to remove the incentive to export. A reduction in exports to the EEC, which amounted to 46,000 tonnes last year, could reduce market prices in Britain and increase the deficiency payment to a substantial extent.

This is why agreement with New Zealand and other countries to limit supplies is crucial. Otherwise the British market could be flooded with surplus lamb at a massive cost to FEOGA, to which of course Britain has to subscribe.

New Zealand is understood to be demanding a reduction of the import tariff of 20 per cent down to nil as a condition of limiting lamb sales to the UK to the present level of some 200,000 tonnes a year.

In addition she is believed to be seeking assurances that surplus European lamb will not be re-exported to third countries with the help of EEC subsidies. Mr. Finn Gundelach is going to New Zealand to discuss this together with a difficult question of a reduction in New Zealand's butter quota.

Other sheepmeat exporters are also seeking protection against subsidised EEC exports in third country markets, together with a reduction in duty when they export sheep meat to the Community. In this latter category are the East European countries who are considerable sheepmeat exporters to France and Italy. Solving this could take a long time.

Meanwhile the French Government has taken further steps to safeguard its own producers. Besides closing the market to British sheepmeat exports because of the low prices ruling in France it is demanding that certain other EEC suppliers—namely Holland, Belgium, West Germany and Ireland—should cut their exports of sheepmeat to them by 30 per cent.

This is the first time the French Government has taken action against its fellow Community members in this way. This reinforces the probability that there will be no agreement from France on the Community sheepmeat regime unless the protection for French producers is made absolutely cast iron.

Strawberry growers in a jam

BY OUR COMMODITIES EDITOR

STRAWBERRY growers are likely to find themselves in a jam when a delegation goes to the Ministry of Agriculture today seeking a ban on East European pulp imports into Britain.

The main culprit, alleged to be undermining the U.K. strawberry industry, is Poland. But the Ministry pointed out yesterday that so far this year Polish shipments of strawberry pulp to Britain amounted to less than 7 tonnes, well down on last year's shipments of 443 tonnes.

It is, therefore, considered doubtful whether Britain will be able to exert much pressure on the EEC to impose a ban on East European imports.

However, the growers do not see it that way. They claim that it is the threat of cheap supplies from Poland that has caused the problem. Processors, knowing that cut-price Polish strawberry pulp is available, have apparently been able to force down U.K. prices to less than £300 a tonne, although it is estimated growers need £360 just to break even.

Traditionally the main U.K. suppliers of strawberry pulp are concentrated in the Wisbech, Cambridgeshire, area and their protest is being backed by two local MPs' Clement Freud and Christopher Fowler. They led a delegation to the Ministry earlier this week, warning that the industry stood to lose £1.5m this year with some growers forced to plough in many acres of strawberries.

They were asked to come back with more evidence. But the feeling is that the depressed state of the industry may be caused more by poor sales of jams and other strawberry-using products. At the same time the recent rains have revived strawberry crop prospects, although it is feared the surplus of pulp strawberries could affect fresh fruit sales too.

Meanwhile the Ministry was patting itself on the back yesterday following confirmation that Greece is to scrap the export subsidies that enabled it to sell cut-price potatoes in Britain. This follows a ban on potato imports from Greece and Spain by the U.K. Government earlier this month on the grounds that the subsidies were unfair competition.

Greece has not only scrapped the subsidies, but also promised to restrict its potato shipments to Britain to 13,000 tonnes—1,000 tonnes less than last year. So all import restrictions on Greek potatoes have been lifted, although a ban remains on Spanish supplies.

Milk output up but sales fall

By Our Commodities Staff

TOTAL OUTPUT of milk from farms in England and Wales increased sharply in May from 1,268.4m litres in May, 1979, to an estimated 1,325.8m litres last month, according to figures released yesterday by the Milk Marketing Board.

Of the total sales, milk sold as liquid declined 2.9 per cent from 553m litres last year to 536.9m litres, while sales to manufacturers for cream, butter and cheese and other dairy products rose by 10.3 per cent to 788.9m litres as against 715.4m litres in May, 1979.

Manx exclusive limit sought

By a Correspondent

THE ISLE OF MAN is to seek a 12 miles exclusive fisheries limit in any settlement negotiated by the British Government in reaching a Common Market fisheries policy, Dr. Edgar Mann, Agriculture and Fisheries Board Chairman, told Tynwald members.

Answering questions on the depletion of lobster stocks in Manx waters, he said the licensing system had been considered but it had been decided it could not be enforced.

Loans for vessels easier

BY OUR COMMODITIES STAFF

THE WHITE Fish Authority is to make it easier for the fishing industry to apply for loans and grants for building new vessels, it was announced yesterday. This is because in recent months the number of applications has declined steadily.

Meanwhile, Mr. Alick Buchanan-Smith of the Ministry of Agriculture Fisheries and Food told the Commons that the Government considered the interests of the fishing industry would be best served by the establishment of a single authority to replace the White Fish Authority and the Herring Industry Boards.

Copies of a consultative document have been circulated to those involved in the catching, processing, transport and sale of fish and comments are being sought on the range of functions to be exercised by the Authority, its financing and how best to involve the fishing industry in its decision making.

The White Fish Authority at present administers grant and loan schemes for vessel construction and improvement.

World forestry fund urged

By Our Commodities Staff

OIL-PRODUCING countries, in search of real assets, would do well to put a proportion of their cash surpluses into a world forestry fund, Mr. John Campbell, chief executive of the Economic Forestry Group, told the London Softwood Club.

He said that the establishment of new industrial and fuelwood plantations could be a significant step in ensuring futures long-term economic prosperity for both rich and poor countries.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Held steady on the London Metal Exchange. Forward metal traded in an £8 range, easing to just below £870 during the morning, and then edging up to close the late kerb at £874, after £876. Turnover: 35,750 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	845.5-6.5	+.5	851-2	+.5
3 months	871-.5	+1.5	875.5-6	—.5
Settlem't	846.5	+.5	—	.....
Cathodes				
Cash			823-5	+5
3 months	820-2	+3.5	851-3	+.5
Settlem't	848-9	+2	—	.....
U.S. Prod	822	+4	*88-90	.....

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £845, 46, three months £870, 71, 70, 69.5, 70, 71. Wirebars, three months £871, 72, 73. Afternoon: Wirebars, three months £874, 73.5, 74, 74.5, 74, 76. Kerb: Wirebars, three months £873.5, 76, 75.5, 75, 74.

TIN Marginally easier following offerings of cash material. Forward metal opened around the £7,300 level and tended to edge lower following selling of cash metal. This widened the contango to around £30. In the afternoon the price fell further to close the late kerb at £7,270 with the contango finally quoted at £20. Turnover: 520 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7305-15	—10	7245-55	—60
3 months	7540-50	.....	7320-30	—30
Settlem't	7315	—10	—	.....
Standard				
Cash	7305-10	—5	7240-50	—60
3 months	7300-5	—2.5	7280-5	—30
Settlem't	7310	—5	—	.....
Straits.E.	‡$2138	+4	—	.....
NewYork	—	.....		.....

Morning: Standard, cash £7,320, 05, late July £7,350, three months £7,320, 10, 7,300. Kerb: Standard, three months £7,305, 7,300. Afternoon: Standard, cash £7,260, 50, three months £7,300, 7,280. Kerb: Standard, three months £7,280, 75, 70, 75.

LEAD—Marginally firmer in quiet trading with forward metal closing the afternoon kerb at £322.5. Turnover, 8,600 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	311-2	—4	310-2	—2.5
3 months	320-1	—2	320-1	—1
S'ment	312	—4	—	.....
U.S. Spot.	—	.....	*36-40	.....

Morning: Cash £312, 11, 12, three months £322, 21, 20. Kerb: Three months £321, 23. Afternoon: Three months £323, 22, 21. Kerb: Three months £322.

ZINC—Moved narrowly prior to ending the afternoon kerb at £303.5. Turnover: 5,175 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unoffici'l	+ or —
	£	£	£	£
Cash	291.5-2	—.75	291.5-2	+.5
3 months	303-.5	—.25	303.5-4	+1.0
S'ment	292	—1	—	.....
Primw'ts	—	.....	*35.5	.....

Morning: Three months £303, 3.5, 4, 3.5. Kerb: Three months £303.5. Afternoon: Three months £303.5, 4. Kerb: Three months £304.

ALUMINIUM—Little changed in subdued trading with forward metal finally £700.5 on the late kerb, having touched £703 earlier in the day. Turnover: 5,200 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Spot	694-5	—1	695-6	+.75
3 months	701.5-2	—.75	700-.5	—1.25

Morning: Cash £696, 95, 94, late June £700, three months £703, 2, 1.5, 1, 2, 1, 3, 2, 1.5. Kerb. Three months £702. Afternoon: Cash £695, three months 702, 1. Kerb. Three months £701, 700.5, 700.

NICKEL—Barely changed after a day of routine trading which saw forward metal close the late kerb at £2,783.5. Turnover: 138 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unoffici'l	+ or —
Spot	2725-35	+15	2725-35	+12.5
3 months	2785-90	+17.5	2785-90	—10

Morning: Three months £2,785, 90. Afternoon: Three months £2,790.

* Cents per pound. ‡ $M per picul. † On previous unofficial close.

SILVER

Silver was fixed 11.8p an ounce lower for spot delivery in the London bullion market yesterday at £6.654. U.S. equivalents of the fixing levels were: Spot $15.5, down 28.7c, three-month $15.845, down 26.8c; six-month $16.203, down 25.5c, and 12-month $16.978, down 26c. The metal opened at £6.65-£6.80 ($15.4-$15.7) and closed at £6.65-£6.80 ($15.5-$15.8).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffici'l	+ or —
Spot	665.40p	—11.6	670.0p	—19.2
3 months	691.80p	—12.2	697.5p	—20.0
6 months	713.80p	—12.2	—	.....
12months	758.80p	—12.2	—	.....

LME—Turnover 179 (221) lots of 10,000 ounces. Morning: cash 683, three months 693, 92, 91, 93. Kerb: untraded. Afternoon: three months 696, 94, 96, 98, 700, 697. Kerb: three months 693.

COCOA

Another inactive day with futures making highs some £15 above Wednesday evening before profit-taking pared the gains. Producers were reasonably active at the highs and physicals enjoyed a more active day than of late, reports Gill and Duffus.

COCOA	Yesterd'ys Close	+ or —	Business Done
July	1107-08	+3.5	1115-05
Sep	1120-21	+8.0	1130-14
Dec	1164-65	+8.0	1172-58
March	1204-05	+7.5	1212-1198
May	1226-30	+7.5	1228-25
July	1252-55	+8.5	1250
Sept	1277-78	+10.0	1277

Sales: 1,814 (2,322) lots of 10 tonnes.

COFFEE

Following further weakness in New York Robustas opened £10-£20 lower. However, the market rallied sharply soon after the opening call before commission house selling provided resistance as prices moved above last night's closing levels. Despite early afternoon pressure London staged a spirited rally from the lows on producer type buying and rumours of more cold weather on the way in South America, values finally closing near the day's highs, reports Drexel Burnham Lambert.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
July	1545-47	+21.0	1553-01
Sept	1598-99	—10.0	1604-70
Nov	1630-32	+8.5	1640-09
January	1633-40	—1.0	1642-20
March	1590-95	—12.0	1602-65
May	1570-95	—27.5	1595-70
July	1580-00	—12.5	—

Sales: 5,762 (5,822) lots of 5 tonnes.

ICA Indicator prices for June 18 (U.S. cents per pound): Other Mild Arabicas 174.17 (178.50). Robustas ICA 1976 165.50 (168.00). ICA 1968 165.75 (153.25). Unwashed Arabicas 203.50 (209.00). Comp. daily ICA 1968 164.52 (166.67).

GRAINS

LONDON GRAIN FUTURES — The market opened unchanged and after a slow start values eased in thin volume due to selling pressure on nearbys. They steadied slightly after lunch on commercial buying interest but some speculative selling eased values on the close to finish 25p-40p down on wheat and 20p-40p down on barley, reports Acli.

	WHEAT		BARLEY	
Mnth	Yesterday close	+ or —	Yesterday close	+ or —
Sept.	94.70	—0.35	91.15	—0.40
Nov.	98.65	—0.25	95.10	—0.30
Jan.	102.65	—0.40	98.90	—0.30
Mar.	105.95	—0.35	102.25	—0.28
May	109.35	—0.35	105.50	—0.25

Business done—Wheat: Sept. 94.85-94.45, Nov. [illegible], Jan. 102.65-[illegible], March [illegible], May [illegible]. Sales: 117 lots of 100 tonnes. Barley: Sept. 91.40-91.20, Nov. [illegible], Jan. [illegible], March [illegible], May [illegible]. Sales: [illegible] lots of 100 tonnes.

IMPORTED — Wheat U.S. Dark Northern Spring No. 2 14 per cent July 95.00, Aug. 96.00, Sept. 97.25 transhipment East Coast. English Feed fob Sept. 99.00, Oct. 100.50 East Coast. Maize: French June 120.00, July 120.25 East Coast. South African Yellow July-Aug. 80.00. Barley English Feed fob Sept. 94.25, Oct. 99.00, Jan.-March 105.00, April-June 110.00 East Coast. Rest unquoted.

HGCA — Locational ex-farm spot prices. Feed barley—S East 90.00, S. West 93.00, W. Midlands 93.00, N West 91.30. Other milling wheat—W. Midlands 104.50.

RUBBER

The London physical market opened easier with little interest at lower levels closing on a dull note. Lewis and Peat reported a Malaysian godown price of 228 (223) cents a kg (buyer, July).

No. 1 R.S.S.	Yest'rdays Close	Previous Close	Business Done
July	59.40-59.50	59.70-59.60	59.70-59.60
Aug.	60.50-60.50	60.20-60.50	—
Jly-Sept	61.45-60.50	61.10-60.50	61.90-60.40
Oct-Dec	63.30-63.70	63.50-63.60	64.50-63.60
Jan-Mar	66.55-66.10	65.80-66.70	67.10-66.60
Apr-Jne	69.20-69.40	69.20-69.40	69.60
Jly-Sept	71.50-72.10	72.90-72.10	—
Oct-Dec	74.40-74.60	74.50-74.60	74.70
Jan-Mar	76.90-77.00	77.00-77.10	77.40-77.0

Sales: 253 (396) at 15 tonnes, 4 (same) at 5 tonnes.

Physical closing prices (buyer) were: Spot 58.50p (same), July 62.25p (62.00p), August 62.75p (62.50p).

COTTON

LIVERPOOL—Spot and shipment sales amounted to 10 tonnes, bringing the total for the week so far to 194 tonnes. Operators were not encouraged to extend business by the slight revival in prices. Activity was on a small scale with only occasional demand coming through for North American supplies.

SOYABEAN MEAL

The London market opened steady on technical buying, reports T. G. Roddick. Values held firm on commission house buying but closed below best levels with trade selling easing prices which finished with gains of 50p.

	Yest'rday Close	+ or —	Business Done
	£ per tonne		
June	98.00-00.00	+3.0	—
August	102.00-02.2	+0.55	102.50-02.20
October	105.10-05.2	+0.25	105.60-05.20
December	106.50-06.7	+0.55	107.10-06.20
February	109.50-09.8	+0.45	110.10-09.20
April	111.70-12.5	+0.66	—
June	115.60-15.6	+1.25	—

Sales: 93 (32) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE (raw sugar): £330.00 (£315.00) a tonne cif for June-July-Aug. shipment. White sugar daily price was £347.00 (£336.00).

The market opened some £10.00 above kerb closing levels. Good commission house buying pushed March up to £403.00 but with no real fresh fundamental news price levels remained in a £3.00 range throughout the day in active trading conditions, reports C. Czarnikow.

Sugar Pref. Comm. Con.	Yest'rdays Close	Previous Close	Business Done
	£ per tonne		
Aug.	372.60-72.75	381.75-82.25	378.00-55.00
Oct.	387.50-88.00	378.50-79.00	382.50-72.00

Sales: 4,978 (5,485) lots of 50 tonnes.

Number 4 Contract—Close (in order buyer, seller only). Aug. 364.00, 367.35; Oct. 381.50, 382.50; Jan. 393.00, 394.95; March 401.00, 401.25; May 394.00, 395.50; Aug. 386.50, 387.00; Oct. 380.00, 381.00. Sales: 4,523 (4,570).

Tate and Lyle ex-refinery price for granulated basis white sugar was £324.7 (same) a tonne (for home trade and £459.50 (£437.50) for export.

International Sugar Agreement (U.S. cents per pound fob and stowed Caribbean port). Price for June 18. Daily price 31.16 (31.12). 15-day average 30.59 (30.80).

WOOL FUTURES

LONDON NEW ZEALAND CROSS-BREDS—Close (in order buyer, seller, business, sales). New Zealand cents per kilo. Aug. 361, 362, 362, 2; Oct. 362, 363, 363, 2; Dec. 364, 365, 366-364, 5; Jan. 365, 367, 367-365, 3; March 373, 374, 374, 1; May 374, 378, nil, nil; Aug. 376, 377, 377, 1; Oct. 374, 377, 374-373, 2; Dec. 377, 379, nil, nil. Sales 14.

SYDNEY GREASY WOOL—Close (in order, buyer, seller, business, sales). Australian cents per pound July 462.0, 463.0, 463.0-452.0, 65; Oct. 456.0, 457.0, 457.0-449.0, 142; Dec. 456.0, 457.0, 457.5-450.0, 113; March 461.0, 462.0, 462.0-455.0, 27; May 462.0, 463.0, 463.0-457.0, 24; July 463.0, 465.0, 466.0-460.0, 28; Oct. 463.0, 468.0, 461.5-460.0, 12; Dec. 463.0, 467.0, 465.0-460.5, 9. Sales: 421.

BRADFORD WOOL — The market remains very quiet with some prices quoted slightly lower, traders said. Deliveries of tops are going out fairly well but there is anxiety about maintaining machinery activity beyond the holidays.

POTATOES

Potato Futures—Continued producer selling failed to attract buyers even at lower price levels, reports Coley and Harper. Closing prices: Nov. £45.80 a tonne —£1.80 (high £48.50, low £46); Feb. £53 —£1.40 (high £54.50, low £33); April £59 —£0.60 (high £60.20, low £59). Turnover 72 (75) lots of 40 tonnes each.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 66.0 to 70.0. Eire hindquarters 80.0 to 84.0, forequarters 40.0 to 44.0. Veal: Dutch hinds and ends 99.0 to 104.0. Lamb: English small new season 62.0 to 70.0. Imported frozen N.Z. PL 59.0 to 61.0, PM 57.0 to 58.5. Pork: English, under 100 lb 40.0 to 47.0, 100-120 lb 39.0 to 47.5, 120-160 lb 38.0 to 45.5.

MEAT COMMISSION—Average fatstock prices at representative markets on June 19. GB cattle 82.06p per kg lw (+0.21). UK sheep 151.77p per kg est dcw (+3.03). GB pigs 66.05p per kg lw (—0.02).

COVENT GARDEN—Prices in sterling per package except where otherwise stated: Imported Produce: Oranges—Jaffa: Valencia Lates 2.80-4.00; Egyptian: Valencia Lates 75/125's 2.00; Moroccan: 54/113's 3.40-4.30; Cyprus: Valencia Lates 3.60-4.60; Arizona: Valencia Lates 72/113's 3.60-5.00; Outspan: Navels 3.80-4.55. Lemons—Italian: 100/150's 3.00-3.50; Spania: Trays 25/45's 1.80-2.00, boxes 4.40-5.50. Grapefruit—Jaffa: Boxes 40/56's 5.00-6.50; Outspan: 4.00-4.85. Apples—New Zealand: Sturmer Pippins 8.40, Red Delicious 138's 9.00-9.20, Richared 8.20-8.60, Granny Smith 9.00-9.20; Tasmanian: Jonathans 8.30, Golden Delicious 7.30-7.50, Sturmer Pippins 8.20-8.40; S. African: Golden Delicious 9.50-9.80, Yorks 8.00-8.80, Granny Smith 8.70-9.20; Dutch: 22 lbs Golden Delicious 2.40; French: 40 lb boxes, Golden Delicious 138/198's 5.80-6.50, 20 lbs 3.20-3.40; Italian: Jonathans/Romes 40 lbs 5.80-6.00, Winesaps 5.60. Pears—S. African: Approx 35 lbs Packham's 9.00-10.00; Italian: Passacrassane 12 lbs 2.00; Victorian: Josephines 10.00, Packham's 10.50, Winter Nelis 9.80. Peaches—Spanish: Yellow flesh 1.80-3.50; Italian: 3.50-4.50. Plums—Spanish: Red, per pound 0.30-0.50, Yellow 0.20-0.22. Apricots—Spanish: 2.50-3.50. Grapes—Victorian: Ohanes 23 lbs 18.00; S. African: Barlinka 10.00. Strawberries—Per punnet, Italian: 0.10-0.20; American: 0.80. Cherries—Per pound, French: 0.35-0.45; American: 0.80; Lebanese: 0.80; Italian: 0.45. Melons — Israeli: Galia 4.00-4.50; Spanish: Galia 5/6's 2.00-2.40, Ogen 3.50, Mariana 6 kilos 2.40; Israeli: Yellow 4.50-5.65. Water-Melons—Israeli: 5.00; Spanish: 3.30-3.50. Avocados—S. African: 2.80-3.00. Bananas—Jamaican: 28 lbs, per pound 0.18. Tomatoes—Dutch: 2.20-2.40; Guernsey: 2.20-2.60; Jersey: 2.00-2.20; Romanian: 1.80; French: 1.80. Onions—Dutch: 6.20; Spanish: 5.40-5.70; Moroccan: 8.00. Potatoes—Cyprus: New crop 20 kg 4.00; Jersey: 3.30-3.55. Carrots—French: 22 lbs 2.20, 26 lbs 3.00; Italian: 2.60. Beetroots—Cyprus: New crop, approx 28 lbs 2.80. Cabbages—Dutch: White 1.50-2.60. Courgettes—French: Per pound 0.25. Capsicums—Spanish: 3.00; Canary: 3.00; Dutch: 4.20. English Produce: Potatoes—Per bag 2.00-2.30. Mushrooms—Per pound 0.60-0.65. Apples—Per pound Bramley 0.11-0.19. Strawberries—English per ½ lb 0.10-0.12. Cabbages—Per bag 1.00.

★

GRIMSBY FISH — Supply good, demand good. Prices at ship's side (unprocessed) per stone): Shelf cod £5.00-£6.20, codlings £2.80-4.50; large haddock £4.00-£4.80, medium £3.30-£3.80, small £1.80-£2.40; large plaice £5.00, medium £4.40-£5.00; best small £3.20-£3.50; skinned dogfish (large) £8.00, (medium) £6.60; lemon soles (large) £7.00, (medium) £6.00; rockfish £2.10-£2.60; saithe £1.80-£2.00.

PRICE CHANGES

In tonnes unless otherwise stated.

	June 19 1980	+ or —	Month ago
Metals			
Aluminium	£810/815	.....	£810/815
Free Mkt	$1950/70	+15	$1785/15
Copper			
Cash w'bar	£851.5	+0.50	£883.5
3 mths	£875.75	—0.50	£908.5
Cash Cathode	£824	+3	£862
3 mths	£852	+0.50	£888
Gold troy oz	$600.5	—4	$514
Lead cash	£311	—2.5	£342
3 mths	£320.5	—1	£348.5
Nickel	£3,248.35	.....	£3,355
Freemkt(cif lb)	270/300c	.....	265/285c
Platin'mtr'y oz	£182.60	.....	£169/185
Free mkt	£270.60	—5.95	£238.50
Quicksil'ver†	$375/385	.....	$380/390
Silver troy oz	665.40p	—11.60	517.50p
3 months	691.80p	—12.20	537.60p
Tin Cash	£7,245	—60	£7,372.5
3 mths	£7,282.5	—30	£7,377.5
Tungsten22.04lb	$139.82	.....	$142.49
Wolfrm22.04lb	$142/146.5	.....	$138/145
Zinc cash	£292.0	+0.50	£306
3 months	£303.75	+1	£316.25
Producers	$780	.....	$780/826
Oils			
Coconut (Phil.)	$645x	—5	$635
Groundnut	‡	.....	‡
Linseed Crude	£412	.....	£404
Palm Malayan	$560w	.....	$582.50
Seeds			
Copra Philip	$425x	—5	$405
Soyabean(U.S.)	$267z	.....	$265.45
Grains			
Barley Futures	£96.10	—0.50	£91.90
Maize			
French No3AM	‡	.....	£117
Wheat			
No. 1 Red Spg.	‡	.....	‡
No2HardWint.	‡	.....	‡
Eng. Milling†	‡	.....	‡
Other commodities			
Cocoa ship't	£1,176	+6	£1,150
Future Sept.	£1,120.5	+6	£1,099.5
CoffeeFr'Sept.	£1596.5	+10	£1,717.5
Cotton A.Index	83.85c	+0.45	88.10c
Rubber (kilo)	56.50p	.....	56.50p
Sugar (Raw)	£330	+15	£325
Wooltp's 64s kl	291p kilo	—2	296p kilo

u July-Aug. s June-July. w Aug. x July. z Indicator. § Buyer. ‡ Per 276-lb flask.

AMERICAN MARKETS

NEW YORK, June 19.

THE LIVESTOCK complex retreated sharply as wholesale cash prices weakened further due to declining demand. Silver was mixed in very thin trading while gold rallied on good buying interest from Europe. Sugar was very strong on heavy trade buying and short covering. Copper advanced on trade buying despite active selling by commission houses. Cocoa recovered on the upside as further details of Brazilian sales to the USSR became public. Coffee rallied on a weather forecast of a frost in the Parana region this weekend. Cotton was on the defensive most of the day. The entire grain and soyabean complex finished slightly lower, reported Heinold.

Copper—June 86.35 (85.45), July 86.60-86.90 (85.80), Aug. 87.35, Sept. 87.80-88.20, Dec. 89.40, Jan. 90.25, March 91.60, May 92.90, July 94.20, Sept. 95.50, Dec. 97.40, Jan. 98.05, March 99.35. Sales: 3,900.

Potatoes (round whites)—Nov. 75.0 (74.8), March 91.3 (90.0), April 106.0-106.2. Sales: 1,315.

¶Silver—June 1,566.0 (1,530.5), July [illegible] (1,535.0), Aug. 1,581.5, Sept. 1,595.0-1,600.0, Dec. 1,630.0-1,636.5, Jan. 1,643.5, March 1,668.0, May 1,694.5, July 1,720.0, July 1,720.0, Sept. 1,745.5, Dec. 1,783.5, Jan. 1,796.0, March 1,821.5. Sales: 2,000. Handy and Harman bullion spot 1,540.00 (1,580.00).

Sugar—No. 11: July 34.60-34.70 (33.47), Sept. 36.05-36.20 (34.78), Oct. 37.20-37.27, Jan. 38.10, March 38.70-38.80, May 37.85-37.90, July 38.75, Sept. 35.70-35.75, Oct. 35.40-35.50.

Tin—768.00-778.00 asked (776.00-777.00).

CHICAGO, June 19.

Lard—Chicago loose 17.75 (17.50). New York prime steam unavailable.

Chicago Imm Gold—June 607.0 (595.0), July 609.0 (598.0); Sept. 618.5-619.0, Oct. 624.5, Dec. 635.0-634.0, Jan. 640.0; March 650.0-654.0, April 657.5.

Live Cattle—June 68.85-69.00 (69.12), Aug. 66.12-66.25 (67.42), Oct. 64.65-64.50, Dec. 65.65-65.75, Jan. 66.40, Feb. 66.60-66.75, April 67.30.

Live Hogs—June 39.90 (39.30), July 37.50-37.85 (38.52), Aug. 36.75-36.85, Oct. 36.80-36.75, Dec. 39.30-39.75, Feb. 42.75, April 42.35, June 44.50, July 45.35.

‡‡Maize—July 279¾-280¼ (280½), Sept. 286¼-286 (287¼), Dec. 292¾-292¼, March 304½, May 311¼, July 316¾.

Pork Bellies—July 29.25-29.15 (29.75), Aug. 29.40-29.25 (29.90), Feb. 46.65-46.70, March 46.50-46.45, May 47.40, July 48.10, Aug. 47.40.

Silver—June 1550.0-1556.0 (1530.0), July ——, Aug. 1575.0, Oct. 1602.0, Dec. 1629.0, Feb. 1646.0, April 1673.0, June ——, Aug. 1727.0, Oct. ——, Dec. ——, Feb. 1798.0, April 1825.0, June 1852.0, Aug. 1879.0, Oct. 1906.0.

†Soyabeans—July 623¾-630¼ (634), Aug. 638 (641¼), Sept. 647-648, Nov. 662-661½, Jan. 679-678¾, March 694½-694, May 706½, July 716.

‖Soyabean Meal — July 172.4-172.5 (172.9), Aug. 175.5-175.4 (176.2), Sept. 178.5, Oct. 181.5-181.3, Dec. 186.1-186.0, Jan. 188.5, March 193.5-193.6, May 198.0-198.5, July 201.8-202.2, Aug.

Soyabean Oil — July 21.87-21.83 (22.00), Aug. 22.12-22.10 (22.24), Sept. 22.30-22.35, Oct. 22.50-22.55, Dec. 22.85-22.90, Jan. 23.05-23.00, March 23.35-23.40, May 23.70-23.75, July 23.90-24.00, Aug. 24.05-24.15.

†Wheat—July 407¼-408½ (408), Sept. 419-418½ (419¼), Dec. 437-436, March 451, May 457-457½, July 460-460½.

WINNIPEG, June 19. §Barley—July 135.60 (135.50), Oct. 127.30 (127.50), Dec. 125.60, March 125.60, May 126.40.

§Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 216.63 (216.33).

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq. feet. ‡ Cents per dozen.

EUROPEAN MARKETS

ROTTERDAM, June 19—Wheat—U.S. No. 2 Red Winter July $177, Aug. $181, Sept. $185. U.S. No. 2 Northern Spring 14 per cent June $199.50, July $198, Aug. $198.25, Sept. $201, Oct. $201.50, Nov. $205.50, Dec. $210.50. Rest unquoted.

Maize—Spot $146, Afloat $141.50; June $138.75, July $139, Aug. $140, Sept. $141.50, Oct.-Dec. $145, Jan.-March $153.50, April-June $158.50. Barley—June $144, July $145, Aug. $146.

Soyabeans—U.S. Two Yellow Gulfports spot $259, afloat $257 June $257, July $259.50, Aug. $262.50, Sept. $266.75, Oct. $271, Nov. $271.25, Dec. $276.50, Jan. $281, Feb. $286, March $288.75. Argentine June-July $255, Aug. $258.75, Sept. $262.75 sellers. Soyameal—44 per cent protein U.S. afloat $214, June $215, July $216, Aug. $220, Sept. $223, Nov.-March $239. Brazil pellets afloat $220, June $221, July $222, Aug. $226, Sept. $229, Oct. $237, Nov.-March $247.50.

PARIS, June 19.

Cocoa (FFr per 100 kilos)—July 1070, Sept. 1086/1090, Dec. 1095/1103, March 1125/1135, May 1140, July 1150. Sales at call 0.

Sugar (FFr per 100 kilos)—Aug. 3390/3400, Oct. 3565/3569, Nov. 3540, Dec. 3660/3670, March 3765/3780, May 3780, July 3790, Aug. 3800. Sales at call 29.

INDICES

FINANCIAL TIMES

Jun 18	Jun 17	M'nth ago	Year ago
264.94	264.31	271.50	296.68

(Base: July 1, 1952=100)

MOODY'S

June 18	Jun 17	M'nth ago	Year ago
1137.6	1127.8	1101.2	1098.0

(December 31, 1931=100)

DOW JONES

Dow Jones	June 18	June 17	Month ago	Year ago
Spot	428.42	427.64	429.28	417.96
F'tur's	439.95	438.67	438.74	430.40

(Average 1924-25-26=100)

REUTERS

June 19	June 18	M'nth ago	Year ago
1674.8	1666.5	1703.5	1632.7

(Base: September 18, 1931=100)

LONDON STOCK EXCHANGE

Gilt-edged and equities react on lack of fresh support
Index 7.7 off at 465.4—Sel. Trust up on bid approach

Account Dealing Dates
Options

*First Dealings	Declara-tions	Last Dealings	Account Day
June 2	June 12	June 13	June 23
June 16	June 26	June 27	July 7
June 30	July 10	July 11	July 21

* "New time" dealings may take place from 9 am two business days earlier.

Gilt-edged securities and equities boiled over yesterday after the recent upsurge. Speculation about a reduction in Minimum Lending Rate yesterday proved unfounded and tended to curb fresh investment demand, although the suggestion had not been taken seriously in most quarters.

Trading in the two main investment sectors was much quieter than of late, the mining markets attracting most inerest following British Petroleum's surprise bid approach for Selection Trust. The latter closed sharply higher, with Carter Consolidated strong in sympathy. BP shed 8 to 364p.

Profit-taking left its mark on Gilts in the absence of further overseas buying. Losses in mediums and longs extended to ¾, while the shorts recorded falls ranging to ¼ and sometimes more. There was some speculation about two new tap stocks being announced today, but the latest money supply figures were roughly in line with expectations and had little impact on sentiment.

Optimism about an imminent reduction in interest rates faded overnight and, with the prop of a firm Gilt-edged market removed in the absence of fresh demand, leading equities drifted lower throughout the day. The FT 30-share index eased progressively to close at 465.4, down 7.7, a relatively modest reaction after the advance of 60.4 over the previous 12 trading days. Secondary equities held up reasonably well as illustrated in evenly-balanced rises and falls in FT-quoted stocks.

Traded options attracted a total of 1,485 deals, much in line with the previous day's 1,549. A particularly active business was transacted in Lonrho, 345 trades, while Racal were dealt 135 times on the annual results.

Home banks easier

A strong market of late on hopes encouraged by the lengthy period of record interest rates, the major clearing banks turned reactionary yesterday on profit-taking. Midland shed 10 to 370p, while NatWest, 372p, and Barclays, 400p, cheapened 8 apiece and Lloyds softened 5 to 325p. Merchant banks, on the other hand, encountered renewed investment support with Hambros prominent again with a fresh rise of 8 to 468p. Mercury Securities added 7 to 196p and Hill Samuel 4 to 112p. Arbuthnot Latham closed 4 better at 207p following the record profits but Brown Shipley were unmoved at 348p after the preliminary figures. Discounts edged higher in places: Allan Harvey and Ross added 10 to 360p in a thin market and Smith St. Aubyn rose 4 to 136p.

The withdrawal of investment support prompted a downward drift in Insurances. Royals gave up 6 to 367p and GRE 4 to 286p. By way of contrast, Alexander Howden improved 3 to 109 in Lloyds brokers.

A reasonable two-way trade was transacted in Breweries with sellers just gaining the upper hand. Bass eased 3 to 232p, while Scottish and Newcastle gave up 2 to 58p.

The Building sector featured Mallinson-Denny which dropped 11 to 57½p on the £10.7m proposed rights issue; the shares touched 77p earlier this year on bid hopes. Other Timbers lost ground in sympathy with Montague L. Meyer shedding 6 to 94p, Magnet and Southerns 9 to 168p, and International a couple of pence to 109p. Elsewhere, Tunnel B fell 14 to 226p, the chairman's cautious statement on current trading eclipsing the satisfactory preliminary profits. In contrast, Tilbury Contracting came in for support and, in a thin market, rose 10 to 190p, while Allied Plant added 1½ to 35p. The leaders eased a shade, but selling pressure was light.

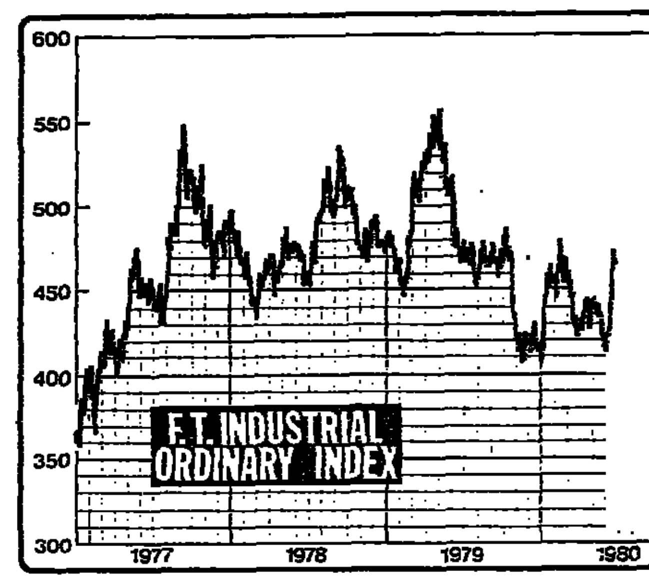
Scrappy selling clipped 4 from ICI, 382p, and 7 from Fisons, 263p. Elsewhere in Chemicals, British Tar Products hardened 2 to 42p awaiting today's preliminary results, while Plysu met with renewed speculative interest and also improved 2, to 96. Allied Colloids, on the other hand, shed 6 to 106p on profit-taking.

A buoyant sector of late, Stores succumbed to profit-taking with British Home outstanding at 298p, a fall of 8. GUS A, 428p, and Burton, 122p both shed 4, while falls of 3 were common to UDS, 72p, and Marks and Spencer, 95p. House of Fraser lost the turn to 134p after the annual meeting. Away from the leaders, Ratners eased 3 to 58p. Grattan Warehouses, 60p, lost the previous day's gain of 6 which followed news of Board appointments.

Racal dip and rally

Racal fell to 255p in immediate response to the disappointing increase in preliminary profits, but scattered support throughout the afternoon left the close only 6 off on balance at 259p. Other Electrical majors also tended to lower levels with GEC, 387p, and Thorn-EMI, 296p, shedding 4. Plessey gave up 3 to 156p ahead of annual results expected next week. Ferranti, also due to report next week, rallied and, at 545p, regained 7 of the previous day's fall of 12, while further demand was seen for STC, 3 up at 346p. Electrocomponents rose 6 to 533p, while market newcomer Amstrad added a similar amount to 95p. Recent speculative favourite Automated Security encountered profit-taking and eased 8 to 277p.

Features were plentiful in the engineering sector. Press comment attracted buyers to Matthew Hall which finished 6 higher at 240p, after 242p, while Westland Aircraft added 4 for a two-day gain of 18 to 98p on the impressive first-half profits and encouraging statement. Hawthorn Leslie came in for support and ended 7 to the good at 105p, while Spirax Sarco firmed 4 to 156p and Staveley Industries added 5 to 215p. In the wake of the annual general meeting, Glynwed moved up 4 to 89p but Baker Perkins fell 4 to 77p, after 74p, in reaction to the sharp fall in profits. Ransomes Sims and Jefferies touched 143p before closing a net 3 down at 147p following news that the company is to close two factories. Butterfield Harvey dipped a couple of pence to 41p on the lower annual earnings, while Carclo were friendless at 69p, down 3. The leaders trended lower on sporadic profit-taking and lack of fresh support. Hawker cheapened 6 to 194p, while Tubes gave up a similar amount to 276p and GKN shed 4 to 256p. John Brown eased 2 more to 50½p.



Selected leading Foods moved against the trend. Northern, still buoyed by the excellent interim results, added 5 more to 150p, while J. Sainsbury hardened 3 further to 393p. Fresh speculative interest lifted British Sugar 4 to 210p and Watson and Philip remained well to the fore, firming 3 for a two-day gain of 8 to 43p; the half-yearly results are due July 10.

Ladbroke became a notable casualty in Hotels and Caterers, losing 6 to 165p on scrappy selling.

Reflecting the better-than-expected first-half profits, English China Clays closed 3 better at 95p, after 96p, while Holt Lloyd International added 15 further to 234p on continuing hopes that the approaching two-for-one scrip issue will enhance the shares' marketability. Comment on the excellent results and the proposed 100 per cent scrip issue prompted a fresh rise of 19 to 322p in Johnson Matthey and Pauls and Whites edged forward a couple of pence to 129p on satisfactory results. Investment demand lifted BTR 8 to 330p, while Cape Industries, 243p, and Kennedy Smale, 68p, added 9 and 6 respectively. Selling in the wake of the stormy annual meeting left Camrex 4½ down at 25½p, while Braby Leslie fell 5 to 45p on the profits setback. Further consideration of the poor figures prompted a fall of 8 to 21p in Downs Surgical. Elswick Hooper softened a penny to 17p following trading news. Profit-taking in the absence of bid developments saw Sharna Ware cheapen 5 to 175p, while Thomas Tilling came on offer at 155p, also down 5. The miscellaneous industrial leaders drifted lower in sympathy with gilts.

Oils subdued

Anglia TV A rose 2 for a two-day gain of 8 in response to the good interim results while buying ahead of next Tuesday's results lifted Tridant TV A 3 to 51p.

Motor Components displayed an irregular appearance. Dunlop eased a couple of pence to 80p and Dowty shed 3 to 200p. Automotive Products, on the other hand, found support and firmed 4 to 67p. The increased annual profits and dividend helped ERF rise 4 at 72p, but Fodens remained friendless and eased 2 more to 29p. Among Distributors, Henlys, 70p, and Kenning, 64p, lost 2 apiece; both are due to announce interim figures next week.

Oils were subdued with Shell shedding 4 to 402p. Clyde, 570p, and the new nil paid shares, 373p, added 7 apiece following favourable Press comment; the new shares are fully paid from today.

Interim results from commodity traders S. and W. Berisford were deemed a shade disappointing and the shares eased a couple of pence to 148p. Lonrho, on the other hand, attracted buyers and firmed 6 to 102p.

Selection Trust jump

Investment Trusts closed with moderate gains; New Throgmorton Capital added 6 to 184p, while Electra, 142p, and Dominion and General, 196p, both picked up 5. In Financials, Akroyd and Smithers hardened 2 more at 293p, while second thoughts about the interim statement left Robert Kitchen Taylor 8 better at 133p.

In Textiles, Courtaulds eased 3 to 70p while John Foster shed a penny to 25p following news that Vantona had sold its stake in the company. David Dixon continued to attract speculative buying and added 6 more at 110p.

The announcement that BP has made a takeover approach to Selection Trust sent the latter's shares spiralling upwards in hectic trading after rumours of an impending bid had lifted the shares to 750p in the early trading.

The BP approach initiated a flurry of heavy and intense buying which continued throughout the day and left Selection Trust £3½ up at a peak £10½. BP were finally 8 off at 364p. The "A" shares in Seltrust Holdings, Selection Trust's Australian arm, advanced 28 to 202p.

Other London Financials attracted persistent buying. Charter Consolidated, which has a 25.8 per cent holding in Selection Trust, jumped 45 to 198p, after a 1980 high of 200p. Rio Tinto-Zinc and Tanks added 12 apiece at 408p and 300p respectively; in early trading the former touched 417p. Gold Fields added 5 to 485p.

The Selection Trust news encouraged persistent interest in Australians. Western Mining rose 6 to 246p, North Broken Hill 3 to 171p and Conzinc Riotinto 2 to 270p.

The Rundle oil-shale twins rose sharply on further consideration of the recent oil-shale finds; Central Pacific put on £1½ to £31 and Southern Pacific a half-point to £11¼.

Heavy overnight American selling left its mark on South African Golds which were additionally burdened by the decline of $4 in the bullion price to $600.50 an ounce.

The U.S. selling, which followed the latest outbreak of civil unrest in South Africa, prompted jobbers to open prices sharply lower.

Little interest was shown during the morning but renewed selling—this time from the Continent—caused further weakness and quotations at the close were the day's lowest. The Gold Mines index gave up 7.2 to 324.2—its third fall in the past four days.

A lone firm spot was provided by East Daggafontein with persistent Johannesburg buying in a restricted market lifting the shares 20½ to a 1980 high of 102p.

LONDON TRADED OPTIONS

Option	Ex'rcise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP	300	67	58	80	10	96	—	365p
BP	330	40	6	58	—	73	10	"
BP	360	20	5	39	20	54	—	"
BP	390	7	1	22	74	36	2	"
BP	420	2	3	11	—	—	—	"
Com. Union	120	29	4	35	1	36	—	148p
Com. Union	140	11	19	15	3	22	1	"
Com. Union	160	1	—	5	5	11	—	"
Cons. Gold	460	35	5	55	—	78	—	484p
Cons. Gold	500	15	16	40	—	55	1	"
Com. Union	550	3	8	18	2	—	—	"
Courtaulds	60	11½	20	15½	—	17½	—	71p
Courtaulds	70	4	10	8	3	10½	5	"
GEC	360	36	—	51	—	67	1	387p
GEC	390	11½	9	31	3	45	4	"
Grand Met.	120	36½	—	39	15	44	—	154p
Grand Met.	130	26½	—	30	4	37	—	"
Grand Met.	140	16½	22	23	3	29	2	"
Grand Met.	160	5½	57	12	93	17½	8	"
ICI	360	29	17	40	—	52	1	385p
ICI	390	9	23	20	—	32	5	"
ICI	420	2	5	9	10	—	—	"
Land Secs.	325	13	6	30	15	43	—	327p
Land Secs.	355	3	100	13	1	25	—	"
Marks & Sp.	80	15	5	19½	1	22	—	95p
Marks & Sp.	90	6	29	12½	5	15½	5	"
Marks & Sp.	100	2	—	6½	33	10½	—	"
Shell	360	50	1	58	20	72	—	402p
Shell	390	22	1	38	20	50	—	"
Shell	420	8½	7	20	6	31	—	"
Totals			397		346		45	
		August		November		February		
Imperial Gp.	80	7	40	8½	—	10½	—	84p
Imperial Gp.	90	1½	—	3½	10	5½	7	"
Lonrho	70	34½	90	35	—	37	1	95p
Lonrho	80	24½	166	26	8	28½	—	"
Lonrho	90	16½	45	18	9	21½	3	"
Lonrho	100	8	—	13	8	15½	13	"
P. & O.	120	6	—	11½	—	14½	13	117p
Racal Elec.	200	56	—	67	5	—	—	253p
Racal Elec.	220	36	30	50	—	61	—	"
Racal Elec.	240	19	12	36	—	47	—	"
Racal Elec.	260	10	51	23	57	35	—	"
RTZ	330	87	41	100	—	—	—	405p
RTZ	360	60	10	73	—	95	5	"
RTZ	390	38	2	53	—	75	—	"
RTZ	420	20	25	38	47	55	—	"
RTZ	460	9	2	20	15	—	—	"
Totals			497		159		41	

FINANCIAL TIMES STOCK INDICES

—	June 19	June 18	June 17	June 16	June 13	June 12	A year ago
Government Secs.	69.95	70.39	69.89	69.59	68.41	68.38	70.76
Fixed Interest	70.66	70.64	70.11	69.70	68.99	68.81	72.61
Industrial	465.4	473.1	469.0	467.6	456.5	448.5	474.9
Gold Mines	324.2	331.4	328.5	333.2	340.9	329.0	186.8
Ord. Div. Yield	7.69	7.58	7.64	7.66	7.87	8.00	5.93
Earnings, Yld. %(full)	18.55	18.27	18.42	18.46	18.97	19.28	16.25
P/E Ratio (net) (*)	6.56	6.66	6.61	6.59	6.42	6.31	7.85
Total bargains	23,114	28,475	26,446	26,733	21,642	21,166	—
Equity turnover £m.	—	120.85	172.31	144.93	132.28	125.18	83.85
Equity bargains total	—	16,962	19,957	19,004	17,266	16,823	11,371

10 am 473.2. 11 am 470.2. Noon 469.2. 1 pm 467.8.
2 pm 467.1. 3 pm 466.6.
Latest Index 01-246 8026.
*Nil=6.14.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1980 High	1980 Low	Since Compilat'n High	Since Compilat'n Low
Govt Secs.	70.39 (18/6)	63.85 (7/3)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	70.66 (19/6)	64.70 (10/3)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	478.8 (15/2)	406.9 (8/1)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	377.9 (28/2)	265.5 (18/6)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	June 19	June 18
—Daily		
Gilt Edged	129.4	138.7
Industrials	136.3	136.8
Speculative	44.7	33.9
Totals	96.2	97.7
5-day Avge.		
Gilt Edged	141.2	138.6
Industrials	140.0	138.2
Speculative	38.8	37.2
Totals	99.1	96.4

NEW HIGHS AND LOWS FOR 1980

The following shares quoted in the Share Information Service yesterday attained new Highs and Lows for 1980.

NEW HIGHS (125)

BRITISH FUNDS (2)
CORPORATION LOANS (1)
COMMONWLTH. & AFRICAN LOANS (1)
LOANS (6)
FOREIGN BONDS (1)
AMERICANS (3)
BANKS (5)
BEERS (2)
BUILDINGS (4)
CHEMICALS (1)
DRAPERY & STORES (3)
ELECTRICALS (7)
ENGINEERING (7)
FOODS (3)
HOTELS (1)
INDUSTRIALS (18)
INSURANCE (3)
LEISURE (1)
MOTORS (1)
NEWSPAPERS (1)
PAPER (1)
PROPERTY (3)
SHIPPING (1)
TOBACCOS (1)
TRUSTS (40)
OIL & GAS (2)
OVERSEAS TRADERS (1)
MINES (5)

NEW LOWS (14)

ELECTRICALS (1)
Muirhead
ENGINEERING (3)
Edbro Record Ridgway
R.C.F.
FOODS (1)
F.M.C.
INDUSTRIALS (6)
Bridgend Processes Jacksons Bourne End
Camrex Movitex
Downs Surgical Parker Knoll A
SHOES (1)
Scott (David)
OVERSEAS TRADERS (1)
African Lakes
MINES (1)
Tanjong

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	2	76	11
Corpns. Dom. and Foreign Bonds	16	10	40
Industrials	255	257	883
Financial and Prop.	165	100	236
Oils	6	30	16
Plantations	4	3	19
Mines	30	64	63
Others	51	36	86
Totals	529	576	1,334

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Thurs., June 19, 1980 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Wed., June 18 Index No.	Tues., June 17 Index No.	Mon., June 16 Index No.	Fri., June 13 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (172)	249.87	−0.6	17.75	6.45	6.91	251.40	249.80	247.52	240.00	244.08
2	Building Materials (28)	246.36	−1.2	18.21	6.67	6.52	249.24	247.10	244.90	237.02	226.51
3	Contracting, Construction (27)	369.23	−0.2	25.33	6.55	4.74	369.83	369.41	366.82	351.69	362.84
4	Electricals (16)	658.28	−0.9	12.57	3.71	10.32	664.27	661.84	655.14	636.07	574.03
5	Engineering Contractors (11)	306.55	+0.9	22.15	8.45	5.66	303.70	303.22	299.54	289.94	365.41
6	Mechanical Engineering (74)	167.15	−0.7	19.25	7.96	6.37	168.41	167.56	166.23	161.61	186.66
8	Metals and Metal Forming (16)	167.72	+0.8	21.66	10.14	5.53	166.45	163.40	161.79	157.36	168.25
11	CONSUMER GOODS (DURABLE) (49)	221.36	−0.3	14.82	5.76	8.27	222.08	221.07	219.90	213.67	231.63
12	Lt. Electronics, Radio, TV (14)	324.67	−0.5	11.23	4.12	11.39	326.38	324.54	323.20	314.00	315.10
13	Household Goods (14)	99.16	+0.1	29.81	10.66	3.99	99.11	99.06	98.53	96.41	161.94
14	Motors and Distributors (21)	102.60	+0.2	22.52	9.68	5.16	102.38	102.18	101.27	98.30	119.18
21	CONSUMER GOODS (NON DURABLES) (172)	231.91	−0.7	17.87	6.89	6.75	233.51	230.11	229.87	224.33	235.40
22	Breweries (14)	289.66	−1.3	15.21	6.27	7.76	293.39	288.58	290.58	284.29	270.79
23	Wines and Spirits (5)	304.47	−1.3	17.89	6.14	6.89	308.50	310.28	309.10	302.27	302.91
24	Entertainment, Catering (17)	336.27	−0.6	17.17	6.63	7.22	338.25	333.00	333.53	320.43	302.34
25	Food Manufacturers (21)	204.86	+0.7	19.60	7.29	6.01	203.40	202.18	202.67	197.07	215.69
26	Food Retailing (13)	329.94	−0.3	12.80	4.80	9.32	330.94	327.24	331.18	323.96	293.76
32	Newspapers, Publishing (13)	439.35	—	21.73	6.66	6.22	439.26	437.71	437.29	437.40	431.54
33	Packaging and Paper (15)	133.65	−1.1	26.83	9.33	4.32	135.09	134.81	134.51	132.84	129.82
34	Stores (42)	226.54	−1.4	13.62	5.44	9.45	229.86	224.70	223.43	217.53	239.64
35	Textiles (24)	131.14	−1.2	25.13	11.84	4.83	132.78	132.27	129.80	123.57	165.30
36	Tobaccos (3)	226.34	+0.3	26.94	10.23	4.20	225.66	219.14	218.64	217.57	241.26
37	Toys and Games (5)	27.19	+1.3	44.73	14.02	2.59	26.83	26.83	25.08	26.23	75.59
41	OTHER GROUPS (99)	216.64	−0.6	17.20	7.09	6.90	217.85	217.54	216.65	211.08	203.28
42	Chemicals (16)	315.44	−0.6	19.87	7.63	5.77	317.43	317.65	316.92	308.58	286.94
43	Pharmaceutical Products (7)	215.56	−1.1	11.89	6.40	10.36	217.87	217.62	218.24	213.50	217.30
44	Office Equipment (6)	109.81	−0.6	19.83	7.55	5.77	110.44	110.64	110.63	109.69	121.07
45	Shipping (10)	541.29	−0.2	13.55	6.53	8.93	542.53	539.84	536.33	523.39	460.11
46	Miscellaneous (60)	261.87	−0.3	17.35	6.92	7.07	262.70	261.79	259.37	251.56	242.04
49	INDUSTRIAL GROUP (492)	239.43	−0.6	17.46	6.75	6.92	240.90	238.83	237.83	231.56	236.71
51	Oils (8)	807.79	−1.6	28.56	6.37	3.87	820.89	827.88	832.94	815.74	666.89
59	500 SHARE INDEX	284.31	−0.8	19.84	6.67	5.92	286.66	285.28	284.71	277.56	271.38
61	FINANCIAL GROUP (118)	217.44	−1.0	—	5.78	—	219.71	218.30	216.28	210.06	188.98
62	Banks (6)	238.59	−2.2	40.99	6.81	2.99	243.90	242.44	240.31	230.66	231.58
63	Discount Houses (10)	266.14	—	—	6.64	—	266.23	263.88	254.45	254.45	250.57
64	Hire Purchase (5)	216.26	−0.4	14.45	4.63	8.99	217.13	217.74	215.64	209.91	163.99
65	Insurance (Life) (10)	202.80	−0.1	—	6.28	—	203.03	203.27	203.50	198.65	156.38
66	Insurance (Composite) (9)	142.31	−1.1	—	7.56	—	143.90	141.98	139.32	133.92	122.95
67	Insurance Brokers (9)	318.79	+0.6	14.57	7.18	9.43	316.98	315.47	314.40	306.01	268.63
68	Merchant Banks (13)	122.04	+1.9	—	5.46	—	119.79	118.01	116.13	110.62	97.51
69	Property (45)	405.27	−1.2	3.36	2.86	42.23	410.09	408.14	406.81	401.14	336.08
70	Miscellaneous (11)	134.07	−0.7	16.39	6.51	7.75	134.95	134.39	131.60	129.57	121.46
71	Investment Trusts (109)	239.44	+0.9	—	5.76	—	237.38	236.00	235.25	229.06	212.10
81	Mining Finance (4)	215.51	+9.4	12.34	4.58	9.82	196.96	196.08	197.07	197.35	126.44
91	Overseas Traders (19)	396.24	+0.7	13.13	6.84	9.40	393.52	392.28	391.40	385.24	356.81
99	ALL-SHARE INDEX (750)	269.17	−0.5	—	6.39	—	270.39	268.95	268.14	261.47	248.40

FIXED INTEREST PRICE INDICES

	British Government	Thurs., June 19	Day's change %	xd adj. today	xd adj. 1980 to date
1	Under 5 years	105.47	−0.28	—	4.99
2	5-15 years	111.24	−0.73	0.15	6.77
3	Over 15 years	115.30	−0.74	0.11	7.39
4	Irredeemables	133.09	−0.40	—	6.30
5	All stocks	110.34	−0.58	0.08	6.29

FIXED INTEREST YIELDS
British Govt. Av. Gross Red.

			Thurs., June 19	Wed., June 18	Year ago (approx.)
1	Low Coupons	5 years	11.79	11.69	10.57
2		15 years	11.79	11.69	11.11
3		25 years	11.79	11.69	11.62
4	Medium Coupons	5 years	13.20	13.02	12.29
5		15 years	13.22	13.18	12.64
6		25 years	13.18	13.08	12.66
7	High Coupons	5 years	13.31	13.14	12.61
8		15 years	13.57	13.45	13.00
9		25 years	13.59	13.47	13.00
10	Irredeemables		11.04	11.00	11.44

		Thur., June 19 Index No.	Thur., June 19 Yield %	Wed. June 18	Tues. June 17	Mon. June 16	Fri. June 13	Thur. June 12	Wed. June 11	Tues. June 10	Year ago (approx)
15	20-yr. Red. Deb & Loans (15)	52.67	†14.06	52.56	52.45	52.14	51.88	51.87	51.60	51.54	56.96
16	Investment Trust Prefs. (15)	48.42	14.00	48.42	48.42	48.38	48.09	48.09	47.88	47.88	48.38
17	Coml. and Indl. Prefs. (20)	63.76	14.11	63.58	63.44	63.10	63.16	63.10	61.91	61.91	69.10

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 25p.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1980 high	1980 low
Selection Trust	25p	11	£10½	+3½	£10½	586
Barclays Bank	£1	10	400	−8	408	327
Charter Cons.	2p	9	198	+45	200	134
RTZ	25p	9	408	+12	485	327
BP	25p	7	364	−8	412	320
Eng. China Clays	25p	7	95	+3	96	74
GEC	25p	7	387	−4	391	326
ICI	£1	7	382	−4	402	348
Land Secs. 'New'	Nil/pd.	7	64pm	−6	70pm	44pm
LASMO	25p	7	693	−2	695	337
Marks & Spencer	25p	7	95	−2	97	77
Racal Electronics	25p	7	259	−6	265	175
Tesco	5p	7	58½	−¼	75	55
Westland Aircraft	25p	7	98	+4	101	55½
Brit. Home Stores	25p	6	298	−8	306	226

OPTIONS

First Dealing	Last Dealing	Last Declaration	For Settlement
Jun. 9	Jun. 20	Sept. 11	Sept. 22
Jun. 23	Jul. 4	Sept. 25	Oct. 6
Jul. 7	Jul. 18	Oct. 9	Oct. 20

For rate indications see end of Share Information Service

A more active option business resulted in calls being dealt in Endeavour, Town and City, Selncourt, Carrington Viyella, Courtaulds, Silvermines, Basic Resources, Berkeley Exploration, Grand Metropolitan, FNFC, United City Merchants, Johnson Matthey, BP, Candecca, Selection Trust, Woodhall Trust, Siebens, House of Fraser, Montague L. Meyer, Flight Refuelling, Burnett and Hallamshire, Electrocomponents, Imperial Continental Gas, BTR, Century Oil, Gosforth, Woodside and Rentokil. Puts were completed in Racal, Lonrho and Shell, while doubles were transacted in Selection Trust and Town and City.

RECENT ISSUES

EQUITIES

Issue Price p‡	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price p‡	+ or −	Div. p. or Amount	Times Covered	Gross Yield	P.E. Ratio
85	F.P.	16/5	95	82	Amstrad Cons. Elect.	95	+8	bd3.3	3.0	4.9	7.6
55	F.P.	20/6	85	74	Home Farm Prods10p	85	+2	b2.9	2.5	4.9	11.6
—	F.P.	—	8	3	††Jenkin & Purser	8	+1	—	—	—	—
¶83	F.P.	27/6	91	79	Oakwood Group	79½	−½	66.5	2.4	11.7	5.1
100	F.P.	27/6	110	93	Peerless	95	−1	b6.3	2.8	9.5	4.7
—	F.P.	—	£19¼	£19⅛	Union Carbide Corp.	£19⅝	+⅛	Q$5.0	—	7.0	—

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price £	+ or −
‖	F.P.	3/6	148	111	Automated Sec. 8% Cnv. Uns. Ln. '95	148	......
100	F.P.	—	99	99	Can. Imp. Bk. of Commerce 11% Deb. 1985	99	......
‖	Nil	—	15ppm	10ppm	Challenge Corp. 16pc Pref. NZ $2.20	10ppm	......
100	F.P.	—	100¼	100¼	Daiei 8½% Conv. Bds. due 1995	100¼	......
¶	F.P.	4/9	102½	101⅞	Folkstone & District Water 10pcPref '85	102½	......
¶¶	F.P.	—	65	63½	London & Midlandinds 8½ pc Deb. '89-94	64½	......
¶	F.P.	30/5	102	99½	Mid Southern 10% Red Prf. 1985	99½	......
‖	F.P.	19/6	114	107½	NSS Newsag'ts 10% Cnv. Uns. Ln. 1990-2000	114	+2
‖	F.P.	27/6	104	101	North Brit. Props. 9½% Cov. Uns. Ln. 1996	105	......
¶	F.P.	4/9	102⅝	101⅞	North Surrey Water 10pc Pref. 1985	102½	......

"RIGHTS" OFFERS

Issue Price p‡	Amount Paid Up	Latest Renunc. Date ●	Latest Renunc. Date ■	1980 High	1980 Low	Stock	Closing Price p‡	+ or −
115	Nil	—	—	24pm	17pm	Brown & Jackson	24pm	+1
100	Nil	3/7	7/8	40pm	35pm	Carless Capel	39pm	−1
66	Nil	29/5	4/7	100	80	Clifford's Dairies 'A'	96	+1
200	Nil	—	—	578 pm	378 pm	Clyde Petroleum	373pm	+7
18	Nil	30/5	20/6	19½	18	East Rand Cons.	19½	......
54	F.P.	11/6	23/7	65	61	Eleco	64	......
40	Nil	30/6	18/7	47	41½	Hawley Leisure	44	......
263	Nil	—	—	70pm	44pm	Land Securities	64pm	−6
118	F.P.	3/6	18/7	144	124	Linfood	145	+1
126	Nil	—	8/8	147pm	127 pm	Lloyds & Scottish	147pm	......
60cts	Nil	—	—	455pm	180pm	Pancontinental	350pm	−5
54	F.P.	9/5	27/6	79	67	Rugby Portland Cement	77½	−1
98	F.P.	20/6	18/7	144	128	Silverminas	144	+2
180	F.P.	14/5	27/6	308	194	Unitech	300	−5

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *g* Assumed dividend and yield. *u* Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. p‡ Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 participating pref. shares and 1 ord. share at R3.50 per unit. † Dealings under special rule.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

King & Shaxson Mngrs.
[illegible]

Kleinwort Benson Limited
[illegible]

Lazard Brothers & Co. (Jersey) Ltd.
[illegible]

Lloyds Bk. (C.I.) U/T Mgrs.
[illegible]

Lloyds Bank International, Geneva
[illegible]

M & G Group
[illegible]

Management International Ltd.
[illegible]

Midland Bank Tst. Corp. (Jersey) Ltd.
[illegible]

Samuel Montagu Ldn. Agents
[illegible]

Murray, Johnstone (Inv. Adviser)
[illegible]

Nat. Westminster Jersey Fd. Mgrs. Ltd.
[illegible]

Negit S.A.
[illegible]

Negit Ltd.
[illegible]

N.E.L. International Ltd.
[illegible]

Pacific Basin Fund
[illegible]

Phoenix International
[illegible]

Providence Capitol Life Ass. (C.I.)
[illegible]

Quest Fund Mngmnt. (Jersey) Ltd.
[illegible]

RBC Investment Managers Limited
[illegible]

Richmond Life Ass. Ltd.
[illegible]

Rothschild Asset Management (C.I.)
[illegible]

Rothschild Asset Mgt. (Bermuda)
[illegible]

Save & Prosper International
[illegible]

Schlesinger International Mngt. Ltd.
[illegible]

Schroder Life Group
[illegible]

J. Henry Schroder Wagg & Co. Ltd.
[illegible]

Sentry Assurance International Ltd.
[illegible]

Singer & Friedlander Ldn. Agents
[illegible]

Standard Chartered Intl. Bd. Fd.
[illegible]

Stronghold Management Limited
[illegible]

Surinvest (Jersey) Ltd.
[illegible]

Surinvest Trust Managers Ltd.
[illegible]

TSB Unit Trust Managers (C.I.) Ltd.
[illegible]

TSB Gilt Fund Managers (C.I.) Ltd.
[illegible]

Tokyo Pacific Holdings N.V.
[illegible]

Tokyo Pacific Hldgs. (Seaboard) N.V.
[illegible]

Tyndall Group
[illegible]

Unilife Assurance (Overseas) Ltd.
[illegible]

Union-Investment-Gesellschaft mbH
[illegible]

Utd. Intnl. Mngmnt. (C.I.) Ltd.
[illegible]

Van Cutsem & Associates Ltd.
[illegible]

S. G. Warburg & Co. Ltd.
[illegible]

Warburg Invest. Mngt. Jrsy. Ltd.
[illegible]

Wardley Investment Services Ltd.
[illegible]

World Wide Growth Management
[illegible]

Wren Commodity Trust
[illegible]

NOTES
[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Amer. Gth. Tst.	49.2	52.9	+0.2	1.89
Abbey Capital	38.6	41.7	-0.1	6.04
Abbey General	50.3	53.8	+0.1	5.79
Abbey Gilt & F.I. Tst.	109.2	114.9	-0.5	9.34
Abbey Income	46.3	49.6	+0.5	8.13
Abbey Intl. Bd. Tst.	95.6	101.2	—	5.43
Abbey Inv. Tst. Fnd.	40.1	43.3	—	5.90
Equitas Prog. Trust	73.7	79.7	+0.8	5.62

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt & Pref.	88.6	94.5	+3.7	12.02

Allied Hambro Ltd. (a) (b)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	81.1	86.8	+0.2	6.11
Brit. Inds. Fund	71.5	76.5	—	6.80
Growth & Income	44.9	48.0	+0.1	5.79
Elect. & Ind. Dev.	39.5	42.3	—	5.79
Allied Capital	83.3	89.1	+0.3	5.22
Hambro Fund	122.5	131.1	+0.1	6.62
Hambro Acc. Fund	155.3	166.2	+0.2	5.42
Income Funds				
High Yield Fd.	66.7	71.4	+0.4	10.15
High Income	73.3	78.4	+0.6	7.78
A.H. Eq. Inc.	42.9	45.9	+0.2	7.91
Govt. Secs.	25.3	26.0	—	8.65
International Funds				
International	29.4	31.5	+0.1	3.43
Pacific Fund	49.9	53.4	—	2.30
Secs. Of America	59.3	63.5	+0.2	2.83
Specialist Funds				
Smaller Co.'s Fd.	49.6	53.1	+0.4	4.71
2nd Smlr. Co's Fd.	57.9	61.9	+0.2	4.73
Recovery Sits.	120.2	128.6	+0.9	6.49
Met. Min. & Cdty.	60.6	64.8	+0.9	4.55
Overseas Earnings	60.1	64.3	-0.1	5.99
Exempt Funds				
Far East Exempt	56.5	58.8	+0.1	3.01
Smaller Co. Exempt	76.3	80.1	+0.4	4.99
U.S.A. Exempt	104.3	108.3	+0.2	3.23

Emson & Dudley Tst. Mngmnt. Ltd.
20, Albemarle St., W1. 01-493 3211

Emson Dudley Tst.	74.1	79.7	—	6.00

Equity & Law Un. Tr. M. (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	79.5	83.6	+0.4	5.03

Fidelity International Management Ltd.
62-63, Queen St., London, EC4R 1AD. 01-248 4891

American	24.2	25.7	-0.1	1.00
Fixed Interest	25.3	26.8	-0.1	12.85
Growth & Income	30.8	32.8	+0.1	7.64
Special Sits.	30.9	32.9	+0.3	2.85

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l	29.3	31.4	—	2.17
Accum. Units	33.9	35.4	—	2.17
J. Finlay High Income	53.6	56.7	—	10.07
J. Finlay Euro-Fin.	21.3	22.9	—	3.93
Accum. Units	26.6	28.6	—	3.93
J. Finlay Fd. In. Tst.	34.3	36.9	—	5.34
Accum. Units	42.3	45.5	—	5.34

Prices on June 18. Next dealing June 25.

Framlington Unit Mgt. Ltd. (a)
64, London Wall, EC2M 5NQ. 01-628 5181

American June 16	52.0	55.6	—	1.19
Am. T'ground June 16	50.8	54.2	—	2.00
Capital Tst.	54.0	57.6	+0.4	5.34
(Accum. Units)	54.8	58.6	+0.4	5.34
Extra Income Trust	50.2	53.4	—	10.03
Income Tst.	37.4	40.0	+0.2	8.44
Int. Growth Fd.	45.0	48.0	—	2.36
(Accum. Units)	47.8	51.0	—	2.36

Friends' Provdt. Unit Tr. Mgrs.
Pixham End, Dorking. 0306 5055

Friends Prov. Units	53.2	56.8	+0.5	4.74
Do. Accum.	74.9	80.1	+0.7	4.74

Funds in Court*
Public Trustee, Kingsway, WC2. 01-405 4300

Capital June 5	118.5	120.3	—	5.54
Gross Inc. June 5	74.9	77.7	—	11.71
High Yield June 5	86.2	87.0	—	10.87

*Unauth. Restricted to monies under Court control.

G.T. Unit Managers Ltd.
16 Finsbury Circus, EC2M 7DD 01-628 8131

G.T. Cap. Income	119.8	127.4	—	3.30
Do. Acc.	150.6	160.2	—	3.30
G.T. Inc. Fd. Un.	170.5	181.3	—	9.00
G.T. U.S. & Gen.	138.5	146.3	—	2.50
GT Wld. Bd. Fd.	93.8	97.7	—	5.70
G.T. Japan & Gen.	75.6	79.9	—	3.10
♦Gt. Pens. Ex. Fd.	251.8	265.0	—	2.70
G.T. Int'l. Fund	183.0	194.6	—	2.30
G.T. Four Yds. Fd.	49.0	52.1	—	8.20

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

High	Low	Stock	Price £	+ or −	Int.	Red.
[illegible]	56½	Agric. Mt. 5pc '59-89	60½xd	−1¼	8.24	12.33
[illegible]	73½	Alcan 10½pc '89-94	78½xd	+½	13.57	14.10
[illegible]	25	Met. Wtr. 3pc 'B'	28½	......	10.85	12.91
[illegible]	39	U.S.M.C. 9pc 1982	101½xd	......	8.87	—
92	65½	Do. without Warrants	90xd	+1	10.00	13.00

LOANS—Continued

Financial

FOREIGN BONDS & RAILS

AMERICANS

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BANKS & HP—Continued

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CHEMICALS, PLASTICS—Cont.

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O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

Tins

Copper

Miscellaneous

High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
180	78½	Anglo-Dominion	150	−10	—	—	—
97	56	Barymin	58	......	—	—	—
17	12	Burma Mines 10p	15	......	0.62	1.1	6.0
502	320	Cons. Murch. 10c.	320	......	MQ100c	1.8	18.6
180	128	††Hemerdon 10c.	130	+2	—	—	—
585	325	Northgate C$1	395	+5	—	—	—
485	327	R.T.Z.	408	+12	15.0	3.2	5.3
33	16	Robert Mines	26	+3	—	—	—
58	26	Sabina Inds. C$1.	30	......	—	—	—
51	44	††SWCM 10p	51	......	—	—	—
650	411	Tara Exptn. $1	460	......	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♠ Regional price.
- ‖ No par value.

‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	30	+1	**IRISH**		
Bertam	17	......	Conv. 9% '80/82	£89⅞	......
Bdg'wtr. Est. 50p	420	......	Nat. 9¼% 84/89	£79⅝	......
Clover Croft	60	......	Fin. 13% 97/02	£89⅝	−¼
Craig & Rose £1	£10½	......	Alliance Gas	45	......
Fife Forge	32½	......	Arnott	360	......
Finlay Pkg. 5p	18	......	Carroll (P.J.)	57xd	......
Graig Ship. £1	£15½	+½	Clondalkin	120	−5
Higsons Brew	75	......	Concrete Prods.	75	......
Holt (Jos) 25p	250	......	Heiton (Hldgs.)	33	......
I.O.M. Stm. £1	185	−2	Ins. Corp.	245	......
Pearce (C. H.)	455	......	Irish Ropes	55	......
Peel Mills	40	......	Jacob	32	−3
Sheff. Refrshmt	103	......	T.M.G.	85	......
Sindall (Wm.)	143	......	Unidare	93	......

OPTIONS
3-month Call Rates

Industrials		I.C.I.	27	Utd. Drapery	6½
A. Brew	7	"Imps"	6½	Vickers	12
BOC Intl.	6	I.C.L.	14	Woolworths	5½
B.S.R.	4½	Inveresk	4		
Babcock	8	Ladbroke	15	**Property**	
Barclays Bank	34	Legal & Gen.	15	Brit. Land	7
Beecham	10	Lex Service	8	Cap. Counties	9
Blue Circle	25	Lloyds Bank	24	Land Secs.	24
Boots	16	"Lofs"	3½	MEPC	17
Bowaters	15	London Brick	6	Peachey	13
B.A.T.	20	Lucas Inds.	17	Samuel Props.	12
Brown (J.)	6	"Mams"	14	Town & City	2
Burton 'A'	10	Mrks. & Spncr.	8		
Cadburys	5½	Midland Bank	26	**Oils**	
Courtaulds	8	N.E.I.	5	Brit. Petroleum	32
Debenhams	8	Nat. West. Bank	27	Burmah Oil	20
Distillers	17	P & O Dfd.	10	Charterhall	20
Dunlop	7½	Plessey	14	KCA	11
Eagle Star	15	Racal Elect.	22	Premier	13
F.N.F.C.	2¼	R.H.M.	4½	Shell	35
Gen. Accident	21	Rank Org.	15	Tricentrol	40
Gen. Electric	30	Reed Intnl.	16	Ultramar	35
Glaxo	18	Sears	5		
Grand Met.	12	Tesco	6	**Mines**	
G.U.S. 'A'	34	Thorn	23	Charter Cons.	14
Guardian	23	Trust Houses	12	Cons. Gold	40
G.K.N.	20	Tube Invest.	23	Lonrho	8
Hawker Sidd.	15	Unilever	40	Rio T. Zinc	35
House of Fraser	15	U.D.T.	5½		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

FINANCIAL TIMES
Friday June 20 1980

S. Africa unrest hits car factories

BY QUENTIN PEEL IN JOHANNESBURG

THE SOUTH AFRICAN motor industry was hit yesterday by new stoppages in a wave of industrial action by black and coloured (mixed race) workers, the latest manifestation of the unrest sweeping the country.

The unrest has now affected more workers than any strike action since the Natal strikes of 1973. More than 7,000 workers have downed tools in Uitenhage, in the eastern Cape, headquarters of Volkswagen and a string of vehicle component manufacturers.

The latest to be hit were the Goodyear tyre factory, where 1,300 workers walked out in a wage dispute, and the Ford Cortina plant in neighbouring Port Elizabeth—itself the scene of a prolonged dispute earlier this year—which was closed yesterday because of a shortage of components.

The South African car industry represents a major part of the foreign investment in the country.

The reason for the strikes remains unclear.

Mr. Freddie Sauls, general secretary of the National Union of Motor Assembly and Rubber Workers, blamed the original walkout of 3,500 Volkswagen workers on the Government ban on meetings, which prevented union representatives reporting back.

Employers in the area believe there is a political element to the strikes, possibly linked to the unrest in other areas which are part of the rising discontent in the black and coloured communities. They point out that the workers have bypassed their unions, which are in the middle of annual wage negotiations.

The upsurge of industrial unrest came as the fierce rioting of recent days in the coloured townships of Cape Town—the worst since the Soweto riots of 1976—appeared to be dying down with only isolated incidents of stone-throwing reported yesterday.

There were occasional clashes between demonstrating youngsters and police in other areas, including Durban and Johannesburg. In Cape Town a railway coach was set on fire, briefly interrupting the morning traffic.

The official death toll for the disturbances this week, according to Mr. Louis Le Grange, the Minister of Police, is 29—although newspapers have come to a total of 41 from a survey of Cape hospitals.

Mr. Le Grange said 141 people had been wounded, 62 of them with stab wounds or in stone-throwing incidents. He said he did not know how many of the dead had been killed by police gunfire.

Mr. Le Grange also defended his decision to ban all journalists from black and coloured townships, except under police escort, and denied there was a complete ban on foreign journalists. He said a full investigation had been launched into allegations that journalists had openly incited youths to riot, but declined to give any evidence.

Mr. Le Grange insisted that the latest unrest in the Cape was the work of criminal elements and "skollies" (rogues). But he admitted that the statement issued on Wednesday in the name of General Mike Geldenhuys, the Commissioner of Police, that his men would "shoot to kill" was "an unfortunate choice of words."

He said it had been immediately withdrawn—but rioters would face "no mercy" from police.

Editorial Comment, Page 22

Lonrho bid for more say in House of Fraser fails

BY JOHN MOORE

LONRHO, the international trading conglomerate headed by Mr. Tiny Rowland, failed yesterday in its attempts to gain more influence over the affairs of the House of Fraser stores group.

The outcome of the battle over Fraser, which own Harrods, was decided during the 50 minute annual Fraser meeting, attended by nearly 400 shareholders, in Glasgow.

After what proved an emotional meeting Mr. Rowland, who is non-executive deputy chairman of House of Fraser, said he had "been constructively disruptive."

He added: "Next year I come up for re-election on the Fraser board and there may be a move to get rid of me."

Mr. Rowland said he would "double the House of Fraser profits in 2½ years and pay twice the dividend." "All you've got to do," he told journalists, "is ask Hugh Fraser (chairman of House of Fraser) to hand over to me and put it to the test."

Lonrho's efforts to force a final dividend of 6p. per share—an increase of 50 per cent—out of Fraser were abandoned almost immediately when Sir Hugh told shareholders at the start of the meeting that proxy votes representing more than 70m shares out of a total of 151m had been received in favour of the Fraser board's proposals.


Mr. Rowland . . . constructively tisruptive

Proxies representing 49m shares, including the 45m shares owned by Lonrho had voted in favour of the Lonrho proposals.

At most, independent shareholders holding 4m shares had aligned themselves with the Lonrho cause.

Mr. Edward Du Cann, Conservative MP for Taunton and a Lonrho director, said that although Lonrho owned a 29.99 per cent stake in Fraser and was the largest shareholder, it was withdrawing its resolution to increase the final dividend because of the outcome of the proxy vote.

He added: "Lonrho's view of Fraser was sincerely put in the interests of the general body of shareholders. It is in the interests of all shareholders to see this business succeed and the value of our shares maximised. You have my word and my colleagues that we will contribute constructively."

Lonrho's attempts to put four more of its representatives on the Fraser Board by unseating four Fraser directos failed. It came neacr success, but still failed in resisting Fraser's attempts to increase the maximum number of directors on the Fraser Board from 15 to 18.

Sir Hugh later declined to say whether he would be seeking Mr. Rowland's removal from the Board next year after the battle, which cost House of Fraser more than £100,000 to fight.

Men and Matters, Page 22

Bank of England faces 30% pay claim from staff

BY NICK GARNETT, LABOUR STAFF

THE BANK of England has been faced with a pay claim of about 30 per cent from its staff. It has told the staff association that any settlement must be conditioned by the Government's 14 per cent cash limit.

In its Quarterly Bulletin yesterday, the Bank said wages would have to be reduced in real terms if inflation is to be beaten implying a range of at most 10 to 12 per cent.

The Bank has been put in an awkward position by the size of clearing bank settlements.

These have been worth about 22 per cent. Four of the five English clearers yesterday concluded a pay deal for messengers which the bank say is worth about 25 per cent.

The Bank, which last summer made another although lass specific warning about pay deals and inflation, had to concede a large settlement then, after industrial action by members of the Bank of England Staff Organisation. This involved a comparability study giving staged payments and appeared to be worth at least 25 per cent.

The action was the culmination of a period in which pay fell behind that in the rest of the industry.

The staff association said yesterday that, from July last year to April next year, the new settlement date for the clearing banks, pay was being increased by 50 to 55 per cent. Its members' pay now needed to be increased by about 30 per cent to keep pace.

The association, which represents about 3,000 of the Bank's 3,600 staff, is due to settle next month.

Mr. Ian Partridge, general secretary, said the Bank had lost excellent staff because of its failure to maintain adequate pay.

CBI comes out against import controls

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE Confederation of British Industry came out yesterday against wide-ranging import controls and the protection of core industries.

Instead it decided to back a liberal trade policy, in spite of growing concern among companies about their poor international competitiveness and about rising imports.

The CBI intends to adopt a more aggressive stance in special cases. It will call for action when industries need protection from "manifestly unfair competition" or when they need to be relieved from trade pressures while adapting to new market conditions.

Long-term

It also wants stronger measures against dumping and subsidised competition and says that members of the EEC should eliminate unfair trade among themselves. It also calls for stronger action against unfair trading generally.

Those policies emerged from a trade policy document, published yesterday aimed at providing a broad operating basis for the next 10 to 20 years.

Sir George Burton, chairman of Fisons and head of the CBI's overseas trade committee, said the policies dealt with "strategic long-term issues," not solely immediate matters.

The rejection of protectionism will be a blow to TUC leaders, who had hoped to build a common front with the CBI over imports during the coming weeks.

Nevertheless, the two organisations will continue to study imports in four key areas—process plant, footwear, construction and printing equipment—through National Economic Development Office working parties.

Meanwhile the CBI is considering which areas to support. Imports of a range of products ranging from "steel to alarm clocks" are being examined for alleged unfair competition, while shirts, shoes, paper and board, and steel are being studied under the heading of industries that need help to adjust to changing markets.

Details, Page 6

Continental Uniroyal buys Kleber stake

BY TERRY DODSWORTH IN PARIS

CONTINENTAL UNIROYAL, the West German tyre company, is buying out Michelin's controlling shareholding in Kleber-Colombes, the loss-making French tyre company. It is a further bid to rationalise the troubled European industry.

In a joint statement yesterday, Continental and Kleber said the cross-frontier deal was to create an organisation of sufficient size to be able to compete successfully in world markets and protect employment in Europe.

The joint company would have 26 factories and a turnover of about FFs8.6bn (£900m).

Continental, part of the Continental Gummiwerke organisation, is paying FFs60 a share for the stake it is buying from Michelin and other interests close to the French tyre group.

This is expected to give Continental about 64 per cent of the Kleber equity at a price of around FFrs 97m (£10.1m). The offer compares with the previously quoted price of almost 59 francs a share.

Both Gummiwerke and Kleber have been involved in reorganisation of the European tyre industry in the past few years. Having tried and failed to link up with two other German manufacturers, Metzler and Phoenix, Gummiwerke finally took over the European activities of Uniroyal, the U.S. manufacturer about 12 months ago.

Kleber entered into a co-operation agreement with Semperit of Austria in the mid-1970s but this folded in the course of last year when the two companies failed to agree on joint strategy.

Since collapse of the Semperit deal, Kleber has launched a big streamlining programme in France to try to eradicate losses which have been building up since 1973.

But in spite of closing factories, selling its Paris head office and thinning its labour force, the company ran up a consolidated net loss last year of FFrs. 103.5m.

Michelin, although not interfering ostensibly in Kleber's affairs, is claimed by competitors to have exercised influence over the much smaller group in an effort to protect its dominant market position in France. Michelin came to Kleber's aid during the restructuring period with a loan of FFr 200m.

However, Michelin has not been prepared to give Kleber technical backing. This has clearly been a significant problem for Kleber, which has been faced with the struggle against Michelin's technological leadership in France at a time when the cheaper end of the market was being attacked by East European imports.

Continued from Page 1

BP bid approach

tion and expansion policy, BP is now the world's eighth largest private coal producer.

Other prominent companies—among them the Royal Dutch/Shell Group, Exxon, Gulf and Mobil—have also been actively diversifying out of oil and gas and into the coal and mineral sectors.

The oil companies are concerned about the lack of growth prospects for oil and gas sales, a reflection of the drive towards greater conservation and a switch to alternative fuels. They are also worried about the trend among oil exporting countries to bypass the traditional marketers—the major oil groups—and to sell fuel through direct government - to - government arrangements.

Continued from Page 1

Lending rate

ing the abnormally low level in the first quarter, or a more worrying change of trend.

The Government would probably consider corrective action if borrowing were to remain high after June as a result, for instance, of buoyant local authority spending.

An encouraging factor for the June banking month is that sales of gilt-edged stock to offset this borrowing are likely to have been higher than total debt sales of £468m last month.

Weather

UK TODAY

RAIN in most places, with some sunny intervals. Windy, with temperatures below normal.

London, Midlands, N.W., S., E. and W. England, Wales
Showers, sunny intervals, wind fresh. Max. 18C (64F).

N. Scotland, Orkney and Shetland Islands
Cloudy, heavy showers, winds strong to gale force. Max. 11C (54F).

Rest of Scotland, Isle of Man, Lake District, N.E. England
Squally showers, sunny intervals, winds strong to gale force. Max. 17C (63F).

Outlook: Little change.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	22	72	Locarno	F	22	72
Algiers	S	26	79	London	C	16	61
Amsdm.	C	16	61	Luxmbg.	C	14	57
Athens	S	26	79	Luxor	S	40	104
Bahrain	S	36	97	Madrid	S	29	84
Barclna.	S	23	73	Majorca	S	25	77
Belfast	C	13	55	Malaga	S	25	77
Belgrd.	R	16	61	Malta	S	24	75
Berlin	C	19	66	Mchstr.	C	15	59
Biarritz	C	17	63	Milan	S	24	75
Bmghm.	C	16	61	M'ntreal	C	19	67
Blackp'l	F	16	61	Moscow	C	25	77
Bordx.	R	16	61	Munich	C	16	61
Boulgn.	C	14	57	Nairobi	S	24	76
Bristol	C	14	57	Naples	F	23	73
Brussels	C	16	61	Nwcstl.	C	15	59
Budpst.	R	15	59	N. York	S	23	74
B. Aires	S	12	54	Nice	S	21	70
Cairo	S	34	93	Nicosia	S	25	77
Cardiff	C	14	57	Oporto	S	22	72
Casbca.	F	22	72	Oslo	C	16	61
Cape T.	S	16	61	Paris	C	17	63
Chicago	C	16	61	Perth	S	13	55
Cologne	R	16	61	Prague	F	19	66
Cpnhgn.	C	14	57	Reykjvk.	F	13	57
Corfu	F	22	72	Rio J'o	S	25	78
Dublin	C	15	59	Rome	S	19	66
Dbrvnk.	F	21	70	Salzb'rg	F	16	61
Ednbgh.	C	14	47	Singapr.	S	31	88
Faro	S	25	77	Stckhm.	C	14	57
Frankf't	C	18	64	Strasb'g	C	19	66
Funchal	C	19	66	Sydney	C	15	59
Geneva	C	19	66	Tangier	S	28	82
Gibrltr.	F	22	72	Tehran	S	27	80
Glasgow	C	13	55	Tel Aviv	S	26	79
G'rnsey	C	15	59	Tenerife	F	17	63
Helsinki	S	23	73	Tokyo	C	25	77
H. Kong	S	31	89	Toronto	C	15	59
Innsbr'k	F	19	66	Tunis	S	28	82
I.o.Man	F	15	59	Valencia	S	26	79
Istanbul	F	24	75	Venice	S	23	73
Jersey	C	14	57	Vienna	C	19	66
Jo'burg	S	13	55	Warsaw	C	18	64
L. Plma.	S	23	73	Zurich	C	17	63
Lisbon	S	24	75				

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

BAGHDAD SAYS IRAN IS BEHIND ATTACK

Gunmen storm UK embassy in Iraq

BY ROBERT COCKBURN IN BAGHDAD

THE IRAQI Government claimed last night that the three gunmen who stormed the British embassy compound in Baghdad, hurling bombs and shooting at random, were backed by the revolutionary regime in neighbouring Iran.

Three men died in the attack — two terrorists and a diplomatic chauffeur. None of the 20 or so embassy staff was injured.

The staff were visibly shaken as they left the big compound after the gunbattle between the terrorists and heavily armed Iraqi troops. They believe the attack may have been in retaliation for the bloody end to the siege of Iran's embassy in London in April.

The London siege, which lasted seven days before SAS troops stormed the building, was the work of Iraqi-backed Arab secessionists from Iran's southern province of Khuzestan.

The gunmen burst through the gates of the lightly guarded embassy compound and threw a bomb at the door of the chancery. The staff threw up barricades at the door and windows, slamming down the bullet-proof shutters.

Within five minutes, dozens of Iraqi troops stationed in Baghdad cordoned off the surrounding roads. Growing crowds had to be held back as the troops engaged the gunmen.

Snipers positioned themselves inside the gates. Half an hour later, after a brief but bloody gunbattle, the embassy staff left.

Mr. Alec Sterling, the ambassador, later left for talks with Iraqi Foreign Ministry officials.

Mr. Stirling had asked for additional security after the London siege, but from the ease with which the terrorists entered the compound, it seems little or no extra precautions were taken.

One member of the embassy staff said Iraqi children were able to jump over the barbed wire on the wall to retrieve footballs, or even climb the palm trees in the compound's grounds.

Richard Johns writes: The timing of the attack is a serious embarrassment to the Iraqi authorities, who have invited scores of foreign journalists to Baghdad for today's elections.

The Baathist regime is holding the elections for a National Assembly—the first since the overthrow of the monarchy in 1958—to improve its image.

THE LEX COLUMN

BP's choice Selection

Index fell 7.7 to 465.4

Even if BP has to pay significantly more than the £315m or so at which Selection Trust was capitalised last night after its £3 jump to £10 a share, the sum should not prove difficult to raise. Although its own share price reacted 10p, BP is valued at some £5.6bn and its liquid resources stood at over £1.4bn in the end-December balance sheet.

The proposed acquisition does, however, raise some fundamental questions about the strategy of oil majors. Many of them have publicly justified their high level of profits as being neecssary to help finance ever more expensive energy expoiration and development projects. Certainly BP has very large exploration commitments. But whereas coal and, perhaps, uranium could be viewed as remaining in the energy field, a move into straight minerals would be clearly in the nature of diversification.

Traditionally BP has a poor record in downstream operations like chemicals, where it has been expanding in recent years, and its aim now is to build on its success upstream; Selection Trust already has an excellent reputation in exploration and production engineering. But whatever the internal logic for BP diversifying out of oil, an industry which it may now see as being in long term decline, it is not clear that it can achieve much for Selection Trust that the latter company cannot achieve on its own. The net result of the takeover would be the transfer of substantial sums out of the oil sector into the pockets of Selection Trust shareholders, of which the largest is Charter Consolidated with 27 per cent.

Whether the deal goes through will largely depend on Anglo American, Charter's parent, and in any event the negotiations will probably take some weeks. It is likely that BP will have to pay something like net asset value, which analysts estimate at anywhere between £11 and £14 a share. Some of Selection Trust's investment, however, like the Unisel gold mine, might not fit into BP's longer term plans, though on the other hand the Australian interests could be an important attraction given BP's existing build-up in t hat territory.

Racal

Racal's profits for h eyetra

Racal's profits for the year to March are marginally higher at £63.6m and its net dividend is up by a tenth—a far cry from the growth standards of previous years, and a shade below recent City targets. But, the company insists, this is just a temporary slowdown. And it needs to be right, for after a period of marked relative strength the shares yield just 2.3 per cent at 259p and the fully taxed p/e is around 19.

The problem last year lay with the tactical radio part of the radio communications business, which now accounts for just under two-fifths of group sales. Racal has moved into much larger systems in recent years, and the flow of very big individual contracts can be uneven over the short term. Last year this worked against the group: in the first quarter of 1980, by contrast, there was a sudden rush of big orders at least partly as a result of international political tension. Over the longer term, Racal says, the underlying demand for tactical radar remains strong.

So there should be a marked increase in the growth rate during the current year, when profits for the group could rise to around £80m before tax.

This explains the group's confidence that the acquisition of Decca, which will be consolidated for the first time this year, will not result in an actual fall in earnings per share. Decca's losses for the year just ended seem to have been considerably greater than expected, but these will be treated as a pre-acquisition item. This year it is expected to break even on over £150m of sales and, longer term, it is still seen as a major new source of growth.

Money supply

While the rise of 2.1 per cent in the money supply was more or less expected, the actual figures left some holders of gilts just a little anxious after the recent burst of enthusiasm. The sharp increase in borrowing by central government, with a third lent on to the rest of the public sector, underlines the official concern reflected in threats to freeze local authority capital spending.

At the same time the comparatively modest figure for bank lending to the private sector is not all its appears, since commercial bills have re-emerged with a vengeance, pushing the underlying rise in the money stocks up a further ½ per cent or so. This will add to the pressures of re-intermediation over the next few months, while a further indication of active underlying demand for funds is contained in the big jump in borrowing by UK residents in foreign currencies.

Gilt sales have picked up sharply since the May make-up day, but the impact on the money supply may prove disappointing, since around half of the purchases are likely to have been made by banks or foreigners. This keeps up the pressure to push the Government's funding programme ahead, with the announcement of a short tap a strong probability today; a long tap to accompany it is a distinct possibility. But with Government borrowing high in June, figures released next month are unlikely to show a dramatic improvement, and afterwards the waters will be muddied by re-intermediation.

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